

**Board Meeting in Public
Thursday, 06 June 2024**

Title of Report	Audit, Risk and Governance Committee Report	Agenda No.	4.6.1
Nature of Report (tick one)	<input checked="" type="checkbox"/> Official	<input type="checkbox"/> Official Sensitive	
Author(s)	Piers White, Chair of Audit, Risk and Governance Committee		
Lead Executive	Carl Vincent, Chief Financial Officer		
Non-Executive Director Sponsor (if applicable)	Piers White, Chair of Audit, Risk and Governance Committee		
Presented for (tick all that applies)	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Assurance	<input checked="" type="checkbox"/> Information <input type="checkbox"/> Update	
Purpose of the report and key issues			
This report is submitted to the Board to draw attention to the main items discussed at Audit, Risk and Governance Committee (ARGC) on Thursday 16 May 2024.			
Previously Considered by			
N/A			
Recommendation	The Board is asked to note the report.		
Risk(s) identified (Link to Board Assurance Framework Risks)			
Strategic Objective(s) this paper relates to: [Click on all that applies]			
<input checked="" type="checkbox"/> Collaborate with partners <input checked="" type="checkbox"/> Invest in people and culture <input checked="" type="checkbox"/> Drive innovation <input checked="" type="checkbox"/> Modernise our operations <input checked="" type="checkbox"/> Grow and diversify our donor base			
Appendices:	None		

1. Background

This report is submitted to the Board to draw attention to the main items discussed at Audit, Risk and Governance Committee (ARGC) on 16 May 2024.

2. Risk

Board Assurance Framework (BAF)

The Committee reviewed the BAF. The score for Principal Risk P-10 Change Programme Scale & Pace had reduced from 16 to 12 as the contributory risk relating to finance has reduced, budgets have been agreed and allocated for the forthcoming financial year.

Two risks remained outside the tolerance limit. The Principal Risk P-02 Service Disruption had a score of 20 driven by the issues affecting the building at the Southampton site. The Principal Risk P-03 Loss of Critical ICT was driven by the red status of Cyber Security contributory risk.

Assurance Mapping

The Committee reviewed the progress in developing and implementing the assurance mapping of statutory, regulatory and Government directives applicable to NHSBT. Phase one and two have been completed and Phase three is due for completion in December 2024. The approach has been benchmarked with the General Medical Council and plans were underway to have external validation. The Non-Executives welcomed this work to which they attach high importance.

Reputational Risk

The Committee reviewed progress with the analysis of reputational risks. The evaluation of all principal risks has been undertaken and Executive Leads have been asked to incorporate reputational risk in the principal for review in November as the Committee were not convinced that each Principal risk owner had given sufficient attention to the documentation of Reputational Risk and how it will be mitigated. The appointment of the Director of Communication will be crucial in the review and analysis of each of the reputational risks identified.

Principal Risk NHSBT-11 Corporate Governance

The Committee received a proposal for Corporate Governance risk to be added as a Principal Risk to the BAF. The proposal for a Corporate Governance risk arose from the Exec and Board Risk Workshops held in March 2023. The recent audits have resulted in limited audit opinions and recommendations to improve the effectiveness of Corporate Governance, and this warranted that the risk be added to the BAF. The risk is defined as *'There is a risk that the Board do not have full oversight of significant risk caused by ineffective systems or their application resulting in uninformed decision-making, a requirement for emergency management, suboptimal outcomes and reputational damage.'*

The Committee agreed to recommend to the Board, the addition of Principal Risk NHSBT-11 Corporate Governance risk on the Board Assurance Framework.

Report from the ET Risk Workshop

The Committee were pleased to hear about the Executive team risk maturity workshop in April and look forward to seeing the follow up actions which would be pursued.

Risk Deep Dive NHSBT Principal Risk – 02 Service Disruption

The Committee received a report on the deep dive into the Principal Risk – 02 Service Disruption. The Risk had a score of 20 and the Committee noted the seven contributory risks assigned to Principal Risk P02 and the mitigations in place. The score of 20 was driven by the issues affecting the building at the Southampton site. The Committee also discussed the contributory risks BS-01 Blood Pack Plasticiser - Di (2-ethylhexyl) Phthalate (DEHP), BC-03 Power Failure and BC-02 Severe Weather.

Risk Deep Dive NHSBT- 03 Critical IT System Failure

The Committee received a report on the deep dive into Principal Risk 03 - Loss of Critical ICT. The risk consisted of five contributory risks and had a score of 15, largely driven by the threats of the Cyber Security risk. Progress had been made in securing the perimeter of the estate, however there were still challenges with the vulnerability once breached. Monitoring the protection of backups and the changing compliance requirements will be a priority for the year ahead. The DDTS team were also focusing on the delivery of strategic long-term solutions delivered through multi-year investment in capabilities to deliver cross-organisational operating models. The Committee noted that technical skills and experience are at a premium and it was a struggle to recruit and retain individuals with cyber skills. The intention to run a Board exercise in July to examine how we would recover from a successful attack was welcomed.

Audit

Internal Audit Progress Report

The Committee received the Draft Annual Audit Opinion for 2023/4 and GIAA had, for the second year in succession, assigned a Limited Assurance opinion on the adequacy and effectiveness of the organisation's risk management, control, and governance arrangements, meaning that '*There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective*'.

Data on outstanding Internal Audit actions showed an adverse trend year on year despite the priority being given to this work by the Executive.

The Executive team had identified the need to run a "Corporate Governance Improvement Programme" as a *route to a Moderate assurance opinion* to address the actions. The opinion will be discussed at the Executive Team and the Committee urged the Executive to define the work required to move the rating to moderate and to prioritise areas around culture, recognition and behaviours.

Blood and Transplant

It was suggested that compliance with functional standards will take longer to implement than comparable NHS organisations. The Committee asked for examples as they were initially uncomfortable with the planned pace of change.

Draft Internal Audit Plan for 2024/5

The Committee received the draft Internal Audit Plan covering 2024-25. The Audit Plan included 15 topics and three audits had been agreed for Q1. Q2 topics are set, the scope and timings of these are being agreed with GIAA. Q3 and Q4 will be signed off in September 2024. A Mid-Year Review of the Plan will be undertaken in August and be reported in September to assist also in developing a multi-year plan. The Committee approved the Audit Plan, topics, and indicative phasing.

External Audit Report / Final accounts timetable and plan

The Committee received the revised the timetable and plan for the Final Accounts 2023/4. The Committee noted that the timetable had been revised due to initial slippage in the timelines. The delay was due to staff illness in the team and had not been caused by unexpected problems with the Accounts. A revised timeline is to be produced with the aim to lay the accounts prior to summer recess.

3. Governance

Corporate Governance Internal Audit Report

The Committee received the GIAA Corporate Governance Internal Audit Report on the effectiveness of the Corporate Governance arrangements in place within NHSBT. A limited audit opinion was received. Three high, five medium and five low priority action were agreed in relation to the recommendations, with implementation dates and ownership. The delivery of these actions will form part of the 'Corporate Governance Improvement' programme with progress being reported to ARGC and the Board.

Board Policies Review

The Committee received the report on Board Policies. The initial list of Board policies was approved by the Board on 28 March 2023 and the Committee approved the addition of the following policies to the list that require Board approval,

- Risk Management Policy
- Fit and Proper Persons Regulations Policy/Process
- Patient Safety Incident Response Framework Policy.

It was agreed that the FPPR Policy/Process approval be delegated to the People Committee, and the PSIRF Policy such approval be delegated to the Clinical Governance Committee.

A new template had been developed and work was underway to develop to separate out the policy statement from the process and to refine the process for management of their review. The Committee approved the proposal to review the policies annually and noted that this should be mentioned to the Board.

Self-Effectiveness Reviews and action plans

The Committee received an update in relation to the Committee Effectiveness Reviews that were internally facilitated. The findings from all reviews were presented to the Board at its meeting in March 2024. The Audit, Risk and Governance Committee and Clinical Governance Committee have developed action plans to address findings. The People Committee and Trust Fund Committee are due to agree action plans at their meetings in July 2024. Comment was passed on the length of time it had taken to complete the reviews, which started in November 2023, and the importance of a cultural shift. The Committee agreed that progress with the actions would be tracked every six months.

Conflicts of Interest Report and Policy

The Committee received the report on the management of Conflicts of Interest within NHSBT and noted the gaps that had been identified.

The Committee also received the revised Conflicts of Interest Policy which had been reviewed in line with Corporate Governance best practice. The Policy had been converted into the new proposed format for Board Level Policies and elements of the policy which were procedural in nature removed as these will now be incorporated into procedure guidelines for Board members and staff. After some discussion on the detail, the Committee recommended the updated Conflicts of Interest Policy for approval by the Board.

Audit Governance and Risk Committee Terms of Reference

The Committee approved the revised ARGC Terms of Reference for adoption by the Board.

4. Annual Reports

The Committee reviewed the following Annual Reports. A review of the annual reporting template will be undertaken to ensure they provide assurance to the Board.

- Risk Management / Business Continuity Annual Report
- Fraud (including Bribery) Annual Report and workplan.
- Clinical Governance Committee Annual Report
- People Committee Annual Report
- ARGC Annual Report
- Trust Fund Annual Report
- Information Governance Committee Annual Report

5. Other

The Committee noted the Losses, special payments and Waivers to date. No unexplained trends were showing. The Committee also discussed Debt Management.

6. Items for escalation to the Board

- Developing the Assurance Mapping.
- Deep dive into NHSBT Principal Risk – 02 Service Disruption.
- Deep dive into NHSBT Principal Risk – 03 Critical IT System Failure.

Blood and Transplant

- Addition of Principal Risk NHSBT-11 Corporate Governance on the Board Assurance Framework
- The Draft Annual Audit Opinion for 2023/4
- The Draft Internal Audit Plan for 2024/5
- The revised timetable for the Annual Report and Accounts.
- The revised Policy Framework
- Annual Reports
- Approval of the following documents
 - Conflicts of Interest Policy
 - Revised ARGC Terms of Reference