

## Audit, Risk and Governance Committee Annual Report

### Introduction/ Executive Summary

The Audit, Risk and Governance Committee is established by the Board of NHSBT in compliance with Treasury Guidance as a Non-Executive Committee of the Board with powers and responsibilities delegated to it within the NHSBT Scheme of Delegation and the Terms of Reference. The Committee is required to submit an Annual Report of the work undertaken to the Board, to provide assurance on their activities throughout the financial year.

### Purpose of the Committee and period covered by the report.

The purpose of the Committee is to support the Board and Accounting Officer by reviewing assurances on governance, risk management and the control environment to ensure that they are comprehensive and reliable. The Committee also reviews and assesses the integrity of financial statements and the annual report and is responsible for providing assurance of an effective system of corporate governance, risk management and internal control, across the whole of the organisation's activities. The scope of the Committee encompasses all the assurance needs of the Board and Accounting Officer. This Annual Report covers the period from 1 April 2023 to 31 March 2024.

### Committee membership

This Committee comprises of three independent NEDs, one independent Associate NED and an independent Non-Executive Member appointed in November 2022.

Executive Directors attend meetings of the Committee at the request of the Committee chair. The Chief Financial Officer is the Lead Executive and the Chief Executive Officer, Chief Nursing Officer, Chief Digital and Information Officer and Director of Quality regularly attend meetings. Other Executive Directors and management staff are invited to attend meetings to present on specific areas of risk or operations that are within their area of responsibility. Representatives from the internal and external auditors attend each meeting. The local counter fraud specialist also attends the meeting to present the annual plan, quarterly updates, and the annual report on counter fraud.

The Committee did not have the required number of NEDs at the beginning of the year and as a result Peter Wyman attended the meeting on 19 May 2023 in his capacity as the NHSBT Chair. Two new NEDs and an Associate NED were appointed in the year and the Committee now has professionals with Governance, Finance and Financial Performance, Risk Management, Strategy, Digital, Transformation, Data and Technology and Commercial experience within its ranks. The Committee now has the appropriate balance of skills, experience and independence.

### Frequency of meetings and attendance

The Committee met seven times in the year and the attendance was as follows:

Member	Title	Attendance/ Total Possible
Piers White	Non-Executive Director	7/7
Rachel Jones ( <i>Appointed on 6 June 2023</i> )	Non-Executive Director	6/6
Ian Murphy ( <i>Appointed on 26 March 2024</i> )	Non-Executive Director	0/0
Nicola Yates ( <i>Appointed on 25 July 2023</i> )	Associate Non-Executive Director	3/4
Niamh McKenna	Non-Executive Member	6/7
Peter Wyman ( <i>ex-officio attendee</i> )	Chair NHSBT	1/1
Deirdre Kelly ( <i>Stepped down on 30/06/2023</i> )	Non-Executive Director	0/2

## **Business conducted by the Committee**

### Risk Management

The Committee reviewed of the Board Assurance Framework at each meeting to obtain a clearer view of the strategic risks facing the organisation and the actions being taken to manage these risks. During the year, the Committee conducted a series of deep dives into the following Principal risks:

- NHSBT- 02 Service Disruption
- NHSBT-03 Critical IT System Failure
- NHSBT- 04 Donor Numbers & Diversity
- NHSBT-05 Financial Strategic Risk
- NHSBT-09 Non-compliance with Current or Emerging Regulations
- NHSBT-10 Scale and pace of the NHSBT change programme.

### Governance and internal control

The Committee reviewed relevant disclosure statements for 2022/23, in particular the Annual Governance Statement (AGS) together with the Head of Internal Audit Opinion and agreed that the AGS is consistent with the Committee's view on system of internal control. The Committee supported Board approval of the AGS.

### Annual Report and Accounts

As part of the year-end process and approval of the Annual Report and Accounts 2022/23, the Committee received and considered:

- The plan and processes in place to produce the Annual Report and Accounts
- The final draft of the Annual Report and Accounts 2022/23
- The Head of Internal Audit Opinion
- External audit opinion on the accounts and value for money opinion
- Letter of Representation to external audit
- The Going Concern assessment, to assure themselves of the effective financial and non-financial propriety.

### External audit

The Committee reviewed the reports prepared by external audit and their advice on areas of specific expertise. The Committee reviewed and agreed external audit's plan for the 2023/24 accounts and the significant risk areas of focus in 2023/24. An area of audit focus this year is on arrangements for the implementation IFRS 17 Insurance Contracts and the new requirements for the disclosure of climate-related financial information in the public sector.

### Internal audit

Throughout the year the Committee has worked effectively with internal audit to strengthen the internal control processes. The Committee has also:

- Reviewed the approach in developing the internal audit plan for 2023/24 and with a more detailed programme to be discussed in the year, and on an on-going basis
- Considered the major findings of internal audit which will form the basis of the Head of Internal Audit Opinion
- Worked to address challenges in the provision of evidence on the achievement of internal audit actions, and the timely completion of actions.
- Regularly reviewed outstanding audit actions and were assured that a robust progress monitoring process is in place.

### Information Governance

The Committee received reports on Information Governance and the areas of non-compliance with the Data Security Protection Toolkit.

## Cost Control and Financial Governance reviews

The Committee received reports on Single Tender Waivers, Losses and Special Payments, gaining assurance on value for money and probity within controls.

## Counter Fraud Service

The Committee received regular reports on activity conducted as part of the Counter Fraud Work Plan

## Governance documents

The Committee reviewed and recommended Board approval of the following key governance and policies.

- NHSBT Standing Orders
- Scheme of Delegation
- Standing Financial Instructions.

## Policies

- Confidentiality and Data Protection Policy
- Risk Management Policy
- Anti-fraud, Bribery and Corruption Policy
- Conflict of interest Policy

## Informal Sessions

The Committee held an informal session for Committee members with external advisers only and another session for Committee members with management only.

## Reporting Relationship

The Committee received and considered minutes and reports from:

- Risk Management Committee
- Information Governance Committee
- Security Governance Committee

## **Gaps identified in assurance.**

### Assurance Mapping and Compliance with Function Standards

The Committee noted the approach being taken in assurance mapping and Compliance with Function Standards and acknowledged the importance of expediting the work. It was agreed that in future, regular reports will be provided to the Committee, and this will include reporting on legal and other mandatory compliance by exception, any risks against compliance and any issues of concern raised by those charged with responsibility for corporate governance.

### **Terms of Reference**

The Committee reviewed its Terms of Reference in January 2024 and observed that the following three items have previously been determined by the Board to be outside the scope of ARGCC when the Finance Committee was stood down:

- a) Finances - scrutiny of these is with the Board but little challenge seems to take place.
- b) Programmes of Change – are RAG rated and reported to the Board, but the Board rarely review the portfolio performance against plan, realisation of benefits etc
- c) Procurement Risks are left to the chosen NEDs reviewing each procurement. Does this leave a gap? ARGCC has begun to address the risk management activities of the procurement function and will be considering Supply Chain Risk management in 2024.
- d) Sustainability and Climate Change is included in the delegations to ARGCC, however the Board should be aware that we have yet to consider Sustainability and Climate Change risks and we don't have a fully formed plan to take us to "Net Zero".

## Effectiveness review

An annual Committee self-assessment was completed by the members of the Committee and regular attendees in January 2024, and the following actions were agreed;

- To develop a two-page summary outlining the Committees responsibilities, what is expected of Members and what role executives should play, to allow all colleagues to evaluate their personal contribution against a clear set of expectations.
- The development of a Corporate Governance manual supported by links to the relevant supporting NHS BT or Government Documents.
- To expedite the work in “Assurance mapping” which would provide enhanced confidence in executive statements around Assurance and allow members of the Committee to call for a review of the supporting evidence.
- A proposal for all Board members and executives to attend ARGC at least once a year, and that the Committee Chair spend more time articulating material risks at the Private Board with the support of the relevant executives. This would give greater prominence to its work and enable the Board to prioritise risk matters alongside other strategic initiatives.
- To enhance the skills and numbers on the Committee with the appointment of another NED with a financial background ideally in time for the 2023/4 annual report cycle.

## Assurance statement to the Board

The Committee is satisfied that it has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation’s business, apart from the following areas;

- Assurance Mapping and Compliance with Function Standards
- Financial performance of NHBST and its constituent Divisions/Businesses.
- The development of the budget and subsequent performance against the budget.
- Review and scrutinise the Divisional five-year plans and flag to the Board any concerns with regard to funding gaps and/or pricing strategies.
- Review the performance indicators.

## Name of Committee Chair

**Piers White**

**May 2024**