

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

<b>Title of Report</b>	Audit, Risk and Governance Committee Report	<b>Agenda No.</b>	5.6.1
<b>Nature of Report</b> (tick one)	<input checked="" type="checkbox"/> Official	<input type="checkbox"/> Official Sensitive	
<b>Author(s)</b>	Piers White, Chair of Audit, Risk and Governance Committee		
<b>Lead Executive</b>	Carl Vincent, Chief Financial Officer		
<b>Non-Executive Director Sponsor</b> (if applicable)	Piers White, Chair of Audit, Risk and Governance Committee		
<b>Presented for</b> (tick all that applies)	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Assurance	<input checked="" type="checkbox"/> Information <input type="checkbox"/> Update	
<b>Purpose of the report and key issues</b>			
This report is submitted to the Board to draw attention to the main items discussed at Audit, Risk and Governance Committee (ARGC) on Thursday 18 July 2024.			
<b>Previously Considered by</b>			
N/A			
Recommendation	The Board is asked to note the report.		
<b>Risk(s) identified (Link to Board Assurance Framework Risks)</b>			
<b>Strategic Objective(s) this paper relates to: [Click on all that applies]</b>			
<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			
<b>Appendices:</b>	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 18 July 2024.

## 2. Risk

### Board Assurance Framework (BAF)

The Committee reviewed the BAF. There are two risks at risk limit: P-02 (service disruption) and P-03 (Service Disruption - Loss of Critical ICT). P-02 is still driven by the RAAC roof in the Southampton Centre. A project board met in April, after the National Emergency Response was stood down in January. The approach in relation to this site was discussed and it was agreed that once the necessary propping was complete the level of remaining risk should be reviewed. The score for P-03 is driven by the risk of cyber-attack and a fuller discussion of this was undertaken later in the meeting. In relation to Regulatory risk the issues identified at Newcastle were discussed and it was noted that the prompt action within NHSBT positively impacted the rating from MHRA's subsequent inspection. The Committee received assurance that the issues were Newcastle specific and not a systemic issue.

### BAF P-03 Service Disruption - Loss of Critical ICT

The Committee received an update in relation to P-03. In June 2024 a cyber-attack on NHS London Hospitals pathology labs created major system disruption in the management of blood testing and supply. This gave cause to further consider NHSBT's own risk position. As a result of learning from this event, in combination with other recent attacks on NHS infrastructure, and ongoing messaging from NCSC and others, the risk has been increased from 15 to 20, moving the likelihood of the risk occurring from possible to likely. The Committee received a report on the previous, current and future work required for NHSBT to further strengthen its cyber position.

### BAF P-05 Finance Risk Deep Dive

The Committee received an update on the overall status of Principal Risk P-05 – Finance. The latest financial position for 2024/25 led to the risk level remaining the same as previously. The Committee also received an overview of each contributory risk and the management of them. It was noted that the risk level for contributory risks Fin 03 (deterioration of cash reserves) and Fin 04 (damage to NHSBT reputation) had been increased in the light of continuing pricing negotiations. These were anticipated to be concluded in the near future with mitigations in place.

### NHSBT-10 Scale of Pace of the NHSBT Change Programme risk Deep Dive

The Committee received information and assurance in relation to Principal Risk P-10, Change Programme Scale and Pace. NHSBT's ability to deliver its strategy is largely dependent on delivery of our change programme. The residual score of the principal risk is 12, which is within the tolerance range and has decreased from a score of 16 when last reviewed at ARGC in November 2023. This is due to progress made against several of the controls outlined in the contributory risks. The risk remains higher than optimal, however. The Committee received assurance from the additional actions that were planned to reduce the risk score further. It was noted that a new contributory risk pertaining to realising programme/project benefits had been added to the risk.

### Assurance Mapping

The Committee received an update on the Risk Team's approach for introducing assurance mapping across NHSBT. The progress in giving ARGV assurance that NHSBT business areas are compliant with statute, regulation and Government directives via the schedule of such was noted. It was also noted that a revised approach of assurance mapping based on business processes was now being developed with guidance from GIAA and based on HM Treasury's Orange Book Risk Controls Framework. An initial trial with colleagues from Finance, Commercial and OTDT will establish the process that would then be rolled out to other directorates.

### Risk Workshops

The Committee received the final report from the ET risk workshop and noted that the report did not comment on NHSBT's risk maturity. The Committee expressed its desire for a Board risk workshop to be run within this calendar year. Plans for this will be worked up and discussed with the ARGV Chair and Board Chair.

### Property Expenses Scheme

The Committee received an update in relation to the scheme and noted that no benefit had been derived from the scheme due to claims failing to reach the excess level or being excluded through exceptions to qualifying expenses. The Head of Estates Legal & Risk has recently agreed to lead on PES arrangements within Estates & Facilities and commenced a series of information events to raise awareness amongst E&F Regional Managers. It was agreed that subscription to the scheme should continue for the next 2-3 years and be further reviewed at that time. It was also agreed that once NHSBT's review of areas of self-insurance was complete the results be summarised and the overall level of financial risk of being self-insured be discussed with the DHSC with a suggestion to consider an approach to commercial insurance. It was not, however, expected that agreement for a change to commercial insurance would be readily given.

### Commercial transformation Part 2: Supplier Management

The Committee received a report on the multi-year commercial transformation programme seeking to achieve the Government commercial functional standard, which includes how the commercial life cycle is managed. The risks related to the commercial life cycle were explained and the processes to manage these were noted and discussed.

## **Audit**

### Internal Audit Progress and Actions

The Committee received an update from GIAA on the status of the audit plan. It was noted that one audit had been completed and four were in their fieldwork stage. It was noted that the plan was due to be reviewed ahead of the next ARGV meeting in order that a detailed plan for the second half of the year into 2025/26 could be presented. This would see the commencement of a multi-year approach to internal audit planning. It was noted that during April – June, 14 management actions were closed. The Committee noted that there were 90 open actions, of which 41 are overdue versus original due dates.

To enhance the quality of reporting on progress, GIAA will capture revised due dates for inclusion in future reports.

The Committee noted that there had been a significant change in how NHSBT manages internal audit actions partly prompted by the change in Head of Internal Audit at GIAA, and partly prompted by a recognition that a more robust oversight is needed. Regular reviews by the ET are undertaken and new reporting is being established.

The Committee considered and approved a proposal to close the remaining outstanding actions in relation to a recommendation to provide guidance and process documents related to all financial delegations. It was noted that the main financial delegations had been addressed but that a number of other areas which were not regularly used, eg PILON, did not have such guidance in place. In view the nature of these financial delegations it was agreed that the risk level was low and the proposal to close without further action was agreed.

### External Audit Report / Annual Report and Accounts

The Committee received updates in relation to the external audit and the production of the Annual Report and Accounts. They discussed the External Audit Completion Report with the audit partner, although it was noted that this was not fully complete as some of the work related to revaluation of properties was outstanding.

A plan for final approval of the Annual Report and Accounts was agreed, which would be progressed if the revaluation work was completed in time for the laying of the accounts prior to the summer recess.

## **3. Governance**

### Corporate Governance Improvement Programme

The Committee received details of the programme to strengthen internal control foundations and embed and evidence risk and governance within NHSBT. It noted the focus on addressing; overdue internal audit/risk mitigation actions, enhancing corporate governance, developing assurance mapping as required by Orange Book and demonstrating sufficient progress in the implementation of 'Shall' Functional Standards were included. The Committee supported the establishment of the programme and its governance and it was agreed that an update be provided in September 2024.

### Data Security and Protection Toolkit

The Committee received an update on progress against NHSBT's DSPT 2022/23 Improvement Plan, which supports our work to move towards full compliance with this standard. The actions outstanding were noted. It was also noted that in September 2024 the DSPT will change as the National Cyber Security Centre's Cyber Assessment Framework (CAF) is introduced. Work is underway to assess NHSBT's position against the new CAF-aligned DSPT, and an update will be submitted to ARGV in September 2024. The Board should be aware that the standards required are steadily being increased.

### Board Level Policy – Modern Slavery Statement

The Committee considered the Modern Slavery statement and recommend this to the Board for approval.

### ARGC Terms of Reference

The Committee considered proposed amendment to its Terms of Reference and recommend these to the Board for approval. It noted that all Board Committees have considered their Terms of Reference during July in order to ensure consistency of format and bring into effect recommendations from the GIAA Corporate Governance internal audit and Committee effectiveness reviews.

## **4. Annual Reports**

The Committee reviewed the following Annual Reports:

- Losses and Special Payments
- Counter Fraud
- Debt Management
- Waivers

## **5. Sub-Committee Reports**

The Committee received reports/minutes from the following sub-committees:

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

## **6. Items for escalation to the Board**

- Approval of the following documents is recommended:
  - Modern Slavery Statement
  - Revised ARGC Terms of Reference