

## Board Audit, Risk and Governance Committee

### Terms of Reference

#### 1. Purpose

The Audit, Risk and Governance Committee (ARGC or the Committee) is established by the Board of NHSBT in compliance with Treasury Guidance<sup>1</sup> as a non-executive committee of the Board with powers and responsibilities delegated to it within the NHSBT Standing Orders, Scheme of Delegations and these Terms of Reference.

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 will also review and assess the integrity of financial statements and the annual report<sup>2</sup>. The Committee 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.<sup>3</sup> The scope of the Committee encompasses all the assurance needs of the Board and Accounting Officer<sup>4</sup>

The purpose of the Committee shall be delivered through the performance of the duties set out in section 5.

#### 2. Composition

##### 2.1. Membership

Committee members will be appointed by the Board from the Non-Executive Directors of the Authority, excluding the Chairman of the organisation. There will be no Executive members of the committee.

The Board may additionally appoint Associate Non-Executive Directors to the Committee to bring further skills and experience or address diversity gaps; ~~however they shall not hold voting rights.~~

The Committee may co-opt an independent member to enhance the skills and experience of the Committee.

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<sup>1</sup> Treasury guidance applies to NHSBT as an Arms' Length Body of the Department of Health and Social Care and specifically relates to "Corporate governance in central government departments: code of good practice", which states under the section "This Code" that "In addition to central government departments, the principles in the code generally hold across other parts of central government, including departments' arm's length bodies (ALBs)". Under the section "Composition and Remit" guidance states that "As a minimum, there should be committees responsible for audit and risk assurance".

<sup>2</sup> HM Treasury Audit and risk assurance committee handbook 2016, Chapter 2, Principle 3: The role of the Audit and Risk Assurance Committee

<sup>3</sup> Clinical Governance and related issues will be within the scope of the Clinical Governance Committee

<sup>4</sup> HM Treasury Audit and risk assurance committee handbook 2016, Chapter 2, Principle 4: Scope of work

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There will be no fewer than three Non-Executive Board members and up to two additional Associate Non-Executive Director or Independent Committee Member appointments.

At least one member of the Committee should have recent and relevant financial experience and competence in accounting and/or auditing.

### 2.2. Committee Chair

The Board will liaise with the Department of Health and Social Care who will make the appointment of the Chair of the Committee. The Chairman of the organisation is not eligible for appointment as Chair of the Committee.

In the absence of the Committee Chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of the Non-Executive Board members to chair the meeting.

### 2.3. Lead Executive

The Lead Executive providing support to the Committee is the Chief Financial Officer.

### 2.4. Attendees

Only members of the Committee have a right to attend and vote at Committee meetings, however, subject to the approval of the Committee Chair, the meetings shall be open to attendance by any Board member.

Representatives of relevant directorates may be invited by the Committee Chair, to present to, or attend to contribute at Committee meetings, either on a regular basis, or at specific times depending upon the subject matter of meetings.

NHSBT ~~Executive officers in~~ regular attendance will be:

- Chief Executive Officer
- Chief Financial Officer
- Director of Quality and Governance
- Chief Digital and Information Officer (Senior Information Risk Owner (SIRO))
- Chief Nursing Officer
- Assistant Director – Financial Control and Operations
- ~~Assistant Director - Governance and Resilience (as Chief Risk Officer)~~
- ~~Company Secretary~~
- ~~Senior Information Risk Owner (SIRO)~~

Other Directors and Senior Managers including but not limited to the Deputy Chief Information Officer (Deputy SIRO) will also attend as required to support the agenda of the Committee.

Parties external to NHSBT may also be invited by the Committee Chair to attend all, or part of a meeting, eg professional advisors/service providers, partners, regulators, etc.

Representatives of organisations providing internal and external audit functions will be in regular attendance.

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Representatives of the Department of Health and Social Care sponsor team may choose to attend.

The Committee Chair may ask any person in attendance who is not a member of the Committee to withdraw from a meeting to facilitate open and frank discussion of a particular matter.

### 2.5. Secretary

The Corporate Governance Team overseen by the Company Secretary will provide administrative secretariat support. Duties of the secretariat will include:

- Agreement of agenda with Chairman and Lead Executive.
- Collation and distribution of papers for meetings.
- Drafting of minutes for agreement by Chair, Lead Executive and attendees.
- Advising the Committee on pertinent areas and briefing the Chairman as appropriate.

## 3. Meeting Arrangements

### 3.1. Format

Meetings may be held in person, by telephone, video conferencing or in hybrid format.

### 3.2. Frequency

Meetings shall meet as frequently as it may determine to be necessary to complete its key tasks, with a minimum of three meetings a year at appropriate intervals in the financial reporting and audit cycle. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals and third parties, including the Board Chair, the Chief Executive, Executive Leads for relevant directorates and the Company Secretary.

### 3.3. Quorum and Decision Making

The quorum for meetings shall be three members, one of whom must be a Non-Executive Director member, and members present must include a member with recent and relevant financial experience, including two Non-Executive Board members.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. A meeting that is inquorate may proceed, however no decisions may be made, and the minutes should reflect this.

Decisions shall be determined by a majority of the votes of the members present and voting on the question. In the case of the number of votes for and against being equal, the Chair of the meeting shall have a second or casting vote.

If all members agree, urgent matters arising or decisions required between formal meetings can be dealt with by e-mail, telephone or videoconference, with the outcomes of such exchanges formally recorded in the minutes of the next full meeting.

### 3.4. Notice of Meetings

Meetings of the Committee shall be called by the secretary of the committee at the request of the Committee Chair or any of its members, or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda shall be circulated c. one month prior to the meeting. Papers shall in normal circumstances be circulated to each member of the Committee and any other person required to attend, no later than seven days before the date of the meeting.

### 3.5. Minutes

The Secretary shall minute the proceedings and decisions of all meetings of the Committee including recording the names of members present and those in attendance. The Chair of the Committee will draw to the attention of the Board any issues that require disclosure to the full Board or require Executive action.

Draft minutes will in normal circumstances be sent to the Executive Lead for the Committee and Director of Quality and Governance within five working days of the meeting. The Executive Lead and Director of Quality and Governance will review the draft within 5 working days, and a final draft will be sent to the Committee Chair within ten working days of the meeting. The draft minutes will be submitted for formal agreement at the next meeting.

The Committee will ensure the minutes are made available to the next private Board meeting. In exceptional circumstances, where meeting content is highly confidential and/or sensitive and not appropriate for full minutes, the Chair and Lead Executive shall decide how to record and report this to the Board.

## 4. Declarations of Interest

All members and attendees of the Committee must declare any relevant actual, or potential, conflicts of interest at the commencement of any meeting. This includes financial interests, non-financial professional interests, non-financial personal interests and indirect interests. (See Conflicts of Interest Policy for guidance. The Company Secretary can provide advice and guidance on reporting declarations of interests.)

Members and attendees will be invited to declare any interests they might have in any issue arising at the meeting which might conflict with the business of the organisation.

The Chair of the Committee will determine if there is a conflict of interest such that the member and/or attendee will be required not to participate in a discussion. No member shall participate in decision making in relation to any matter for which they have an interest.

## 5. Delegated Authority, Duties and Responsibilities

### 5.1. Delegated Authority

The Committee has the following specific delegated authority from the Board:

- 5.1.1. Oversight of Risk Management
- 5.1.2. Responsibility for effective Internal Audit

## Blood and Transplant

- 5.1.3. Appointment and Review of External Audit
- 5.1.4. Assurance oversight of Clinical Governance and People Committees
- 5.1.5. Review of Assurance Mapping
- 5.1.6. Reporting body for Risk Management Committee, Information Governance Committee and Security Governance Committee
- 5.1.7. Review of External Assurance Function reviews and reports
- 5.1.8. Review of management reports on governance, risk management and internal control
- 5.1.9. Review of Financial Reporting
- 5.1.10. Review of Financial Performance
- 5.1.11. Review of Budget and Performance against budget

### 5.2. Duties and Responsibilities

The Committee shall perform the following duties in order to achieve its purpose:

#### 5.2.1. Risk Management

The Audit Risk and Governance Committee has oversight of the systems that are in place for the identification and management of risks. This committee can discharge this oversight by reviewing risks, seeking evidence of the effectiveness of risk mitigation and making recommendations to the Board on acceptable levels of risk:

#### 5.2.2. The Committee will review the adequacy of:

- i. all risk and control related disclosure statements (in particular the Governance Statement and declarations of compliance with the Health and Social Care Act 2012), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
- ii. directorate risk management arrangements. This may be through risk owners presenting risk information, by review of horizon scanning mechanisms or any other mechanism decided by the committee. Where possible this will be managed by planning an organisational review over an annual cycle through an agreed Risk Management Committee calendar but may be by exception as circumstances dictate.
- iii. the underlying assurances that support corporate objectives, statutory compliance, regulatory compliance, government mandate (via DHSC or other Government Department) and organisational policy.
- iv. The committee will ensure that the Internal audit programme is informed by organisational risk.

### Audit

#### 5.2.3. Internal Audit

The NHSBT Board is responsible for ensuring that there is an effective internal audit function that operates to Public Sector Internal Audit Standards. This function is delegated to the Audit, Risk and Governance Committee.

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The Audit, Risk and Governance Committee shall have particular engagement with the work of internal audit. This will be achieved by:

- i. Review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation.
- ii. Consideration of the major findings of internal audit work, the effectiveness of management's response and the timeliness of follow up actions.
- iii. Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation, including direct access to the board chair and the committee chair thus providing independence from the executive and accountability to the committee.
- iv. Annual review of the effectiveness of Internal Audit.

### 5.2.4. **External Audit**

The Comptroller and Auditor General, Head of the National Audit Office (NAO) is appointed by Parliament as the External Auditors of NHSBT. The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- i. Consideration of the performance of the External Auditor/outsourced partner organisation. If an external auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required.
- ii. Discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure co-ordination, as appropriate, with other External Bodies within the Healthcare system.
- iii. Approve the terms of engagement, including any engagement letter issued if mandated by a change in auditing standards or for instance a new Accounting Officer.
- iv. Approve the remuneration, for both audit and non-audit services of any outsourced partner and ensure level of fees is appropriate to enable an effective and high-quality audit to be conducted.
- v. Discussion with the External Auditors of their local evaluation of audit risks and assessment of NHS BT and associated impact on the audit fee.
- vi. Review of all External Audit reports.

## Governance

### 5.2.5. **Clinical Governance**

The Audit, Risk and Governance Committee will seek assurance in the form of an Annual Report from the Clinical Governance Committee, which will include a report of work undertaken, providing positive assurance that clinical governance mechanisms are in place and effective, that regulatory compliance for licenced and regulated activity is in place and effective, meeting the terms of reference for the committee and supporting the annual Governance Statement. This annual report should cover key findings from the programme of audits and the proposed plan for the subsequent year.

### 5.2.6. **People Committee**

The Audit, Governance and Risk Committee will seek assurance in the form of an Annual Report from the People Committee, which will include a report of work undertaken, providing positive assurance that people management mechanisms are in place and effective, meeting the terms of reference for the committee and supporting the annual Governance Statement.

### 5.2.7. **Board Assurance Framework and Assurance Map**

The Audit Risk and Governance Committee will receive regular reports on the Board Assurance Framework, which will include reporting on risks rated as outside risk tolerance and other issues of concern raised by the Chief Risk Officer.

The Audit Risk and Governance Committee will receive regular reports on the Assurance Map. This will include reporting on legal and other mandatory compliance by exception, any risks against compliance and any issues of concern raised ~~by General Counsel~~.

### 5.2.8. **Risk Management Committee**

The Audit Risk and Governance Committee will receive and consider an annual report from the Risk Management Committee (RMC) which will include compliance with RMC Terms of Reference, findings from audits internal or external to the organisation, compliance with applied standards and performance during the year. In addition, a report or the minutes of the latest meeting will be provided to the Audit Risk and Governance Committee of every RMC meeting.

### 5.2.9. **Information Governance and Security Governance Committees**

The Audit Risk and Governance Committee will receive and consider annual reports from the Information Governance Committee (IGC) and Security Governance Committee (SGC) which will include compliance with Terms of Reference, findings from audits internal or external to the organisation, compliance with applied standards and performance during the year. In addition, a report or the minutes of the latest meeting will be provided to the Audit Risk and Governance Committee of every IGC and SGC meeting.



### 5.2.10. **External Assurance Functions**

The Committee will review the findings of external assurance functions and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by Department of Health Arm's Length Bodies or Regulators / Inspectors (e.g., Care Quality Commission, MHRA, HTA, NHS Resolution etc.); professional bodies with responsibility for the performance of staff or functions (e.g., Royal Colleges, accreditation bodies, etc.).

### 5.2.11. **Management**

The Committee will request and review reports and positive assurances from Directors and managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation, as they may be appropriate to the overall arrangements.

### 5.2.12. **Financial Reporting**

The Committee is responsible to reviewing and making recommendations to The Board and CEO on NHSBT's Annual Report and Financial Statements including:

- i. The narrative and commentary including that of the Governance Statement in particular and any other disclosures.
- ii. The clarity and completeness of disclosures in the statements and the context in which statements are made.
- iii. Methods used to account for significant or unusual transactions.
- iv. Changes in, and compliance with, accounting policies and practices and the appropriateness of these.
- v. The report and opinion of the External Auditors including unadjusted misstatements in the financial statements, major judgmental areas and significant adjustments resulting from the audit.
- vi. Its consistency with the narrative and financial information that have been presented to the Board within the NHSBT management accounts during the course of the financial year.

Whilst the NHSBT Board retains responsibility for approval of strategic and business plans and budgets, and monitoring performance against these the Committee will assist the Board by:

- vii. Undertaking a high level review the financial performance of NHSBT and its constituent Divisions/Businesses.
- viii. Review, at high level, the development of the budget and subsequent performance against the budget.
- ix. Review and scrutinise the divisional five-year plans and flag to the Board any concerns with regard to funding gaps and/or pricing strategies.



x. Review the performance indicators.

5.2.13. The Committee shall also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

5.2.14. Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the board.

5.2.15. The Committee will consider any other relevant matters where requested to do so by the Board.

## 6. Risk and Assurance

The Committee will monitor the organisation's progress in managing principal and contributory risks relevant to its remit. At least annually they will undertake a deep dive into such risks and assess progress in relation to the mitigation of the risks.

As at the date of approval of these Terms of Reference, the risks monitored by the Committee include:

P-02 Service Disruption

P-03 Critical IT System Failure

P-04 Number and Diversity of Donors

P-05 Financial Stability

P-09 Non-Compliance with Current or Emerging Regulations

P-10 Scale and Pace of the NHSBT Change Programme

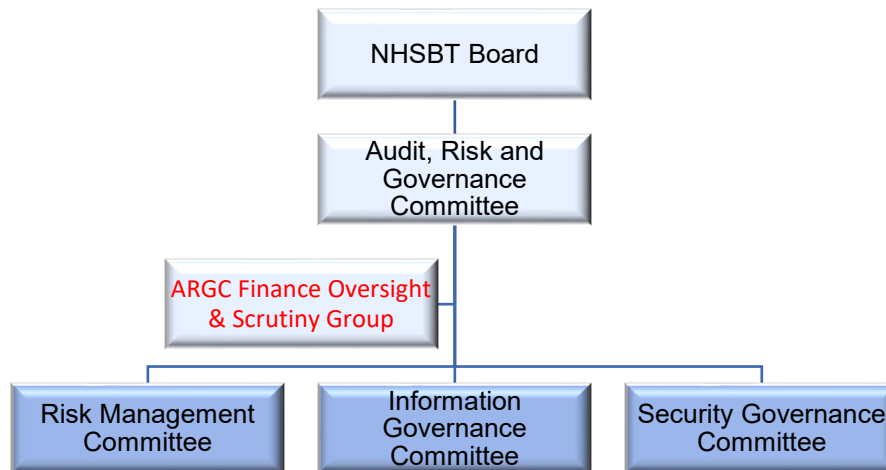
P-11 Corporate Governance

The Committee will also approve, or recommend to the Board for approval, Board Level Policies and will receive assurance reports in relation to compliance with regulatory and statutory duties related to matters delegated to it.

The Committee will receive internal audit reports in relation to areas under its remit, and will monitor progress in completing management actions related thereto.

## 7. Reporting Responsibilities

### 7.1. Reporting Structure



The ARGC is a Committee of the NHSBT Board, and therefore obtains its authority from the NHSBT Board and reports on its activities to the NHSBT Board and will escalate any major concerns in a timely manner.

The Committee will seek assurance through review of Annual Reports from Board Committees to assure itself that the Committees are effectively undertaking their responsibilities.

The Committee has formed a Finance Oversight & Scrutiny Group to consider financial or operational performance and any specific issues on risk. The Committee receives reports from the Group following each of its meetings detailing items discussed, actions agreed and issues for escalation.

The Committee will receive and consider minutes and reports from relevant management meetings and groups in order to discharge its duties effectively, these include:

- Risk Management Committee (~~Minutes and Annual Report~~)
- Information Governance Committee (~~Minutes and Annual Report~~)
- Security Governance Committee (~~Minutes and Annual Report~~)

The Committee will receive the Management Quality Report for assurance that the Quality Management System is providing sufficient coverage and control. The Management Quality Report will be presented to the Clinical Governance Committee for discussion and approval prior to submission to Board.

### 7.2. Post Meeting Reporting

The Chair of the ARGC will formally report to the Board, in private session, on its proceeding after each meeting. The Chair of the Committee will draw to the attention of the Board any issues that require disclosure to the full Board or require Executive action. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Chair of the Committee will also provide a report on its activities, after each meeting, for the Board to publish within its papers for its next public meeting.

### 7.3. Annual Reporting

The Committee will report to the Board annually on its work in support of the Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embedding of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Essential Standards of Quality and Safety.

In line with the annual reporting year, the Committee Chair will provide an Annual Report to the Board on how it has discharged its responsibilities, including:

- The Committee membership, the frequency of meetings and levels of attendance of members,
- Business conducted by the Committee during the year of the report,
- Risks monitored by the Committee,
- Internal Audit activity in the year related to remit of the Committee,
- Gaps in assurance identified, if any,
- Confirmation of review of Terms of Reference and any recommendations,
- Confirmation of review of effectiveness and summary of findings/actions agreed,
- A statement of whether the Committee is satisfied that it has discharged its responsibilities.

The committee shall compile a report on its activities to be included in NHSBT's annual report.

## 8. Authority

The Committee has the authority to request and review reports and assurances from management in order to undertake its duties and achieve its overall purpose.

The Committee is authorised by the Board to:

- obtain, at NHSBT's expense, reasonable external legal or other independent professional advice on any matter within its terms of reference (subject to budgets agreed by the Board), and liaising through the Company Secretary, in relation to whether such advice can be provided internally, or the best procurement of such advice.
- seek any information it requires, and/or to secure the attendance of others with the relevant experience and expertise if it considers this necessary in order to perform its duties.

## 9. Terms of Reference and Effectiveness Reviews

### 9.1. Terms of Reference

The Committee will review its Terms of Reference on an annual basis and make such recommendations to the Board as are required to take into account changes to laws or regulations together with organisational changes be they strategic, structural, technological or operational.

### 9.2. Committee Effectiveness

The Committee will, on an annual basis, review its work programme, performance and evaluate any support or development needs, and review its effectiveness, to include a gap analysis of its work during the year compared to the duties set out within the Terms of Reference and work programme annually. The results of the effectiveness review and Terms of Reference, and consideration of the following:

- Membership, independence and objectivity
- Skills and experience
- Roles and responsibilities
- Communication and reporting
- Continual improvement.

and recommend any changes to the Board. The results of the effectiveness review and delegations review will be reported to the Board.

## 10. Other Matters

### 10.1. External and Internal Audit Access to Committee

Appropriate external and internal auditors, as agreed by the Board, shall have the right of direct access to the Committee for the purposes of auditing its work and effectiveness.

### 10.2. Resources

The Committee will have access to sufficient resources to carry out its duties, including access to the Company Secretary and the Corporate Governance Team, for assistance as required.

### 10.3. Training and Development

Members of the Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members. Training needs shall be identified through the annual skills and capability assessment, the Director appraisal process and through discussion with the Committee Chair.

#### Version Control and RACI view

Version	Approved by and basis of changes	Approved Date	Effective Date	Date of Next Review
5.0	<u>Committee and Board</u> <u>Equalise voting rights for all members of Committee</u> <u>and allow all members to be counted in quorum</u> <u>Update to regular attendees and roles</u> <u>Clarify decisions can be made outside of meetings</u>	[ ]	22/07/2025	Within a year

## Blood and Transplant

	<u>Addition of Finance Oversight &amp; Scrutiny Group</u>			
4.0	Committee and Board Reformatting to provide a consistent format for all Board Committees. Addition of clauses to meet best practice. Amendment to quorum.	30/07/2024	30/07/2024	Within a year
(R) Responsible	Company Secretary			
(A) Accountable	Chair of ARCG / Chief Financial Officer			
(C) Consultees	A.D. Financial Controls and Operations			
(I) Informed	Directors / Relevant Directorates, public document on website			