

**Minutes of the Meeting of the Audit and Risk Committee held at 2.00pm on
Tuesday 25th March 2025 via Microsoft Teams**

Present	
Mrs Gaynor Jones	Non-Executive Director (Chair)
Mr Lincoln Carroll [LC]	Non-Executive Director
Mrs Natasha Cornick [NC]	Non-Executive Director (<i>till 2.55pm</i>)
Mrs Kathy Hubbard [KH]	Non-Executive Director
In Attendance	
Mr Colin Marsland [CM]	Director of Finance
Mr Brian Chittick [BC]	Chief Executive
Ms Edna Mary Watson [EMW]	Chief Nurse, Corporate (<i>till 2.30pm</i>)
Mr Karl Williamson [KW]	Head of Procurement and Finance
Mr Gary Robinson	Board Chair
Ms Michelle Hankin	Clinical Governance and Risk Team Leader
Mr David Eardley [DE]	Internal Audit
Mr Jamie Fraser	Internal Audit
Ms Rachel Browne	External Audit
Mr Stephen O'Hagan	External Audit
Mrs Pauline Moncrieff	Board Business Administrator (minutetaker)

1. Apologies

There were no apologies for absence.

2. Declaration(s) of Interest

There were no declarations of interest.

3. Draft Minutes of the Meeting held on 26th November 2024

The draft notes were approved as an accurate record of the meeting.

4. Action Tracker

Members noted the action tracker with the correction of “26.11.2025” to read “26.11.2024”.

5. Matters Arising

CM informed the Committee that the Scheme of Delegation and Standing Financial Instructions had both been presented to the Board in December and had been approved.

6. Risk Management Summary Out-turn Report 24/25 and Draft 25/26 Workplan

(*Paper AUD 24/48*)

EMW presented the key highlights and challenges from 2024/25 as detailed in the report. An Internal Audit report had been presented in November 2024 which had identified 7 areas of good practice and 4 recommendations, 2 of which have now been completed and are in place.

The draft Risk Management Action Plan for 2025/26 is more focused in view of the existing staffing challenges, but the Clinical Governance Team would continue to support the training, education and support for staff on a day-to-day basis around adverse events and risk management.

The new national ‘Management of Adverse Events’ framework was published at the beginning of March and revision of the Board’s local framework will commence in line with the guidance.

DECISION: the committee noted the Risk Management Summary Out-turn Report 24/25 and Draft 25/26 Workplan

7. Strategic Risk Register Report – Q3

(Paper AUD 24/49)

EMW presented the report which covers the quarter ending 30 December 2024, with additional data provided as of 28 February 2025 for a more current perspective. Members noted the key risk rating score changes and new risks as detailed in the report.

Discussion

GJ thanked EMW on behalf of the Committee for the continued hard work of the Clinical Governance Team and for the detailed update.

DECISION: the committee approved the Strategic Risk Register Report Q3.

8. Risk Management Group actions notes from 13th Nov 2024

(Paper AUD 24/50)

EMW reported that risks SR21, SR22 and SR08 had been discussed and subsequently approved. The clinical risk regarding Estates was first discussed in November followed by further discussions in March where it was agreed to add this to the Risk Register. The helicopter landing site and electric vehicles were also discussed in November and again in March as reflected in the earlier paper.

Risk Management Group action notes from 12th March 2025

There had been further discussion around JCAD when it was agreed to meet again with the Director of CH&SC. The Transport Group was given the remit to conduct further work on electric vehicles. SR04 (External Factors) was reviewed and updated between meetings and a few amendments are required to the controls and this will be put in place and signed off shortly.

Discussion

BC explained the evolving format of the RMG meetings whereby a two-part structure had been introduced with a “public” session and a private session. The private session was limited to EMT members and is designed to allow for deeper exploration of sensitive topics such as whistleblowing and organisational learning. This approach supported a more thorough executive-level reflection and action planning. It was recognised that time would be a critical factor in enabling the depth of discussion required to support meaningful change and timing of the meetings was being reviewed to ensure sufficient space for these conversations.

DECISION: the committee noted the Risk Management Group action notes.

9. NHS Shetland Annual Audit Plan 2024/25 Accounts

(Paper AUD 24/44)

RB presented the report which sets out the scope of External Audit’s Annual Audit Plan for 2024–25, and primarily focused on the Board’s Annual Report and Accounts for 2024-25. In line with the public sector audit requirements in Scotland, the plan also includes a review of the wider scope areas and consider the arrangements for securing best value. EA matters deemed to be key to NHS Shetland in the Annual Audit Report will be reported back to the Audit & Risk Committee in June.

NHS Shetland prepares consolidated group accounts, and the report outlines the EA approach to auditing the group components. EA will directly audit certain elements of the endowment fund for efficiency, and are liaising with the A9 Partnership to ensure all necessary assurances are in place. EA are confident that they will have sufficient evidence to support its opinion on the group accounts by the end of June.

While no additional significant risks have been identified in the wider scope areas, EA are mindful of the financial sustainability challenges previously reported. These will continue to be a focus of the audit and the standard audit work on wider scope was considered to be sufficient to draw conclusion on the Board's arrangements around financial sustainability.

RB reported that she expected to be able to provide the Committee with EA opinions on the Board's annual report and accounts by 12th June (in time for Audit & Risk Committee on 19th June) and to issue a final annual audit report thereafter followed by approval and sign off of the accounts at the Board on the 26th of June.

At the conclusion of the audit, EA will seek feedback from senior officers and the Chair of the Audit and Risk Committee. Committee members are welcome to give feedback at any point during the year, either directly or via Audit Scotland. Committee members were asked to raise any concerns or provide any information related to actual or suspected fraud. This is to ensure the Committee is fully assured by officers of the Health Board of counter-fraud arrangements and risk assessments.

DECISION: the Committee noted the External Audit Plan for 2024/25 Accounts.

10. Audit Scotland: NHS in Scotland 2024 Annual Report *(Paper AUD 24/45)*

CM presented the report which had previously been circulated in December and was the standard annual report published by the Auditor General giving their overview of the position of NHS Scotland as a whole and also issues across NHS Scotland which had been raised in the feedback from the external auditors for the 22 health boards.

Members noted that the Key Messages in the report highlighted the issues of staff planning and the long term strategy for the NHS as being key features which require to be more clearly articulated for better understanding of staff and patients.

Discussion

BC reported that the Chief Executives of the Territorial Boards had convened to consider both the recent Audit Scotland report and the broader Reform and Renewal agenda, in close collaboration with the SGov. As part of this ongoing collaboration, a paper will be presented at the April Board meeting outlining the collective commitment of the Territorial Boards to this agenda and define what this entails in practical terms, highlighting key initiatives and setting out the governance arrangements that will support delivery and oversight moving forward.

ACTION: BC to present a paper to the April Board meeting on NHS Reform and Renewal

DECISION: the committee noted the NHS in Scotland 2024 report by the Auditor General.

11. Audit Scotland: Auditing Climate Change *(Paper AUD 24/46)*

CM presented the report and informed members that there were public sector obligations on the NHS to meet certain climate change targets, which are audited as part of the annual accounts process and reported on within the Board's annual accounts.

The paper sets out the strategy for the next few years and is relevant for the NHS not only because climate change can affect both the environment and infrastructure, but can also impact the board's ability to deliver healthcare and therefore the Winter Plan.

Discussion

In response to a question from GJ regarding a timeframe for guidance and an auditing process for outcomes of the approaches set out in the report, RB replied that this was a developing area, and SGov had a staged approach regarding disclosure requirements, which currently vary by sector. Climate Change was an evolving area for both auditors and audited bodies and the role of EA's was to support and encourage compliance with existing requirements while helping organisations prepare for anticipated increases in disclosure expectations. There is statutory guidance currently out for consultation, which may introduce an enhanced scrutiny role.

BC reported that the Board was at an advanced stage of a collaborative application with Heriot-Watt University for a project focused on decarbonising the health and social care system, with a particular emphasis on transport-related emissions. If successful, the project will provide a data-driven foundation for future decision-making and innovation in sustainable healthcare delivery. It aligns closely with the evolving policy landscape and the increasing expectations around climate accountability. This work reflects the Board's commitment to thinking differently and proactively about how it meets emerging environmental targets and reporting requirements.

Decision: the committee noted the Auditing Climate Change report by Audit Scotland

12. Audit Scotland: Sustainable Transport – reducing car use *(Paper AUD 24/47)*

CM presented the recent national report on sustainable transport which is primarily focused on local government but had implications for health boards, particularly through their involvement in Community Planning Partnerships and local transport bodies such as ZetTrans. While transport planning is largely council-led, NHS representation on ZetTrans ensures alignment with health service priorities.

NHS Scotland is expected to reduce carbon emissions from patient and staff travel by 20% by 2030, however, progress is currently off track, particularly in relation to increasing public transport use. In remote and island communities, public transport is infrequent and heavily subsidised, making it less viable as a primary solution compared to urban areas. One of the most effective strategies for reducing travel-related emissions is the expansion of remote consultations, allowing patients to access care without leaving their communities. This is both environmentally beneficial and cost-effective.

The Board will report annually on progress toward reducing its transport-related carbon footprint, including the use of digital health solutions; collaboration with local authorities and transport partnerships to improve sustainable transport options and monitoring technological advancements in transport and logistics. This work aligns with broader public sector responsibilities around climate action and reflects a commitment to realistic, place-based solutions that balance environmental goals with service delivery needs.

Discussion

LC commented that a major challenge was changing people's attitude to driving every day, but added that there had been very good uptake of the free bus travel initiative among young people in Shetland. This would hopefully develop into them continuing to use public transport into adulthood.

CM added that Public Health Scotland had launched a National Transport Strategy, which outlined the vision for 2020-2040 and invites local authorities to participate in shaping transport systems that support health and wellbeing. This strategy recognises two distinct dimensions of transport poverty, namely lack of transport infrastructure, affordability of transport and fuel poverty.

DECISION: the committee noted the Sustainable Transport – reducing car use report

13. Internal Audit Management Action Follow-up Report 2024-25 *(Paper AUD 24/51)*

DE presented the report which provided assurance to the Committee that the previously agreed actions arising from internal audit reports and committee decisions were being taken forward and implemented satisfactorily. The report summarised the work conducted to review the management updates provided and includes verification work, proportionate to the level of risk, to confirm the reported status of actions.

The main points to highlight to the Committee were the overall downward trend in the number of outstanding actions over recent years and IA will continue to work collaboratively with management to maintain this and work this down further. There is one Grade 4 (high-risk) action remaining outstanding and a previous Grade 4 action had been revised to Grade 3, reflecting substantial progress and partial implementation. Both actions relate to IT stock control, which remains an area of focus.

Discussion

NC suggested that the relevant Executive Directors for two of the remaining outstanding management actions which are considerably past their due date should be asked to attend the next meeting of the Audit and Risk Committee in order to provide an update (namely Business Continuity and Bank/Agency/Locum Onboarding). The latter had passed its original due date and now had no confirmed timescale suggesting this piece of work may not be being prioritised.

ACTION: Executive Leads for to be invited to the June meeting

DE welcomed this scrutiny and challenge around timescales by the Committee and commented that managers were welcome to provide updates at any given time and not necessary as requested by IA as part of the audit cycle.

DECISION: the committee noted the Internal Audit Management Action Follow-up Report 2024-25.

14. NHS Shetland External Audit Action Plan Tracker *(Paper AUD 24/52)*

KW updated Members on the progress against the External Audit recommendations which are produced during the annual audit process. The spreadsheet presented detailed the 23/24 recommendations plus 22/23 recommendations and are colour coded to represent which are complete, partially complete and ongoing. Members noted that most were complete, but this would be reviewed by Audit Scotland during this year's audit process to confirm and sign off. KW updated Members on progress with each of the partially complete recommendations.

Discussion

BC gave a further update on Statutory and Mandatory Training Compliance, reporting that there had been consistent improvements in compliance, including specific discussions at Finance and Performance Committee regarding Information Governance (IG) training. Members acknowledged that this recommendation had no defined target set, meaning it remained open-ended until full (100%) compliance was achieved. Statutory and Mandatory Training is now

embedded as 'business as usual', with ongoing monitoring and reinforcement through existing governance structures. The introduction of protected learning time has supported training uptake and remains a key enabler. The Board will be expected to report back to the SGov on how this time has been utilised and its impact on training compliance.

A new appraisal framework is being drafted to address low levels of appraisal completion rates. While many appraisals are in progress, the framework will help clarify the distinction between incomplete vs. ongoing appraisals and will incorporate training compliance as part of the annual staff conversation.

DECISION: the committee noted the NHS Shetland External Audit Action Tracker.

15. Internal Audit Report 2024/25: Financial Savings Review (Paper AUD 24/53)

JF presented the paper which reviewed the organisation's financial sustainability framework, with a focus on the financial planning processes in place to deliver sustainability initiatives moving forward including how these are embedded across the organisation. Five improvement actions were raised, three of which relate to compliance with existing procedures and two to the design of controls themselves.

While reporting arrangements and a governance route are in place, the quality of scrutiny and challenge could be improved over the course of the year. Meeting minutes should more clearly reflect the depth of financial performance discussions and the challenge provided by governance bodies.

Discussion

NC felt the majority of recommendations in the report were dealt with satisfactorily and the management responses were adequate. She challenged the findings in relation to the financial scrutiny and said as a Non Exec point of view, scrutiny was not solely given within meetings. In response to a question of whether any Non Execs had been spoken to in the course of the audit, JF said this had not taken place and that this point had already been queried by CM and BC at the time of the draft report. It was acknowledged that conversations would have taken place to scrutinise the finances of the organisation, but when reviewing the minutes, IA had felt they were not reflective of the discussion and challenge taking place.

NC repeated that this audit was a blunt tool to record all the financial scrutiny and challenge conducted by the Board. The question was more about how this scrutiny was enacted and recorded in the forum of a public Board Meeting in an honest and transparent manner. All Non Execs have informal conversations with colleagues on a daily basis which would be inappropriate at a board meeting because of its operational nature.

DE said he appreciated the observations made by the Committee, around the nature of scrutiny and challenge within governance forums. It was important to note that the audit findings were not intended to suggest that scrutiny was absent, rather that the role of IA was to provide assurance to the Committee by assessing and reporting based on documented evidence that can be independently verified. It was acknowledged that robust discussions, decision making and challenge will occur in practice, and if these were not captured in minutes or formal records, it became difficult to provide assurance to the Audit and Risk Committee or the Board.

NC suggested that in future audits (particularly looking at governance and scrutiny) that the Members of Audit and Risk Committee and Non Execs are involved in those audits, in order to

capture their feedback. DE confirmed that in future Internal Audit would ensure to reflect this on each assignment plan and extend to engaging with wider colleagues, including board members.

LC acknowledged that the ongoing challenges associated with managing recurring and non-recurring savings, particularly in the context of workforce planning and vacant posts was a concern also raised at IJB Audit Committee. One concern was the uncertainty around when unfilled posts may result in them being formally deleted. In remote and rural settings like Shetland, recruitment difficulties were well-documented and the need to rely on costly short-term locum or agency cover, which can undermine both financial and service sustainability. DE acknowledged this was a common challenge across health boards, and not unique to Shetland. While the goal was to reduce reliance on non-recurring savings, it was recognised that some level of non-recurring savings will persist due to structural and workforce realities.

In response to a question from KH about how best to evidence scrutiny and challenge in governance forums, DE said that where discussions took place in other forums (e.g. sub-committees or informal briefings), it could be helpful to briefly document the key points in order to demonstrate the issue was considered and provide a record of assurance that can be referenced if needed. There was also value in referencing prior discussions in formal public board meetings even if a topic has been thoroughly explored elsewhere. This approach ensured that key areas of scrutiny are visible in the public record, demonstrating good governance and supporting transparency and accountability to stakeholders, including the Scottish Government and the wider community.

DECISION: the committee noted the Internal Audit Report 2024/25: Financial Savings Review

16. Internal Audit Report 2024/25: Supplementary Staffing (Paper AUD 24/54)

JF presented the audit which reviewed the use of supplementary nursing staff (bank and agency) to cover sickness, annual leave, and vacancies. The objective was to assess whether appropriate rota management policies and procedures were in place and being followed, and to ensure that supplementary staffing was used as a last resort, rather than to cover known planned absences. A sample of areas were selected to test adherence to policies and procedures and as a result 10 improvement actions were identified: 6 relate to compliance with existing procedures and 4 relate to design of controls themselves. JF summarised the detail of the findings of the audit, management responses and the improvement actions.

JF reported that as the due dates for the management actions were all set for 25/26 to allow sufficient time to fully implement the Allocate system and align policies and procedures, but as part of the follow-up process, the audit team encouraged interim updates throughout the year to provide the committee with ongoing assurance on progress.

Discussion

Members discussed the protocol around involving direct line management in an audit and also the role of the Committee in having a say to prioritise work in the audit plan or interrupting an audit which has already commenced. Given that Optima was not fully implemented at the time of the audit, KH pointed out that there should be a mechanism whereby the Audit & Risk Committee could intervene to pause an audit where it was evident the timing was inappropriate due to other work in progress and capacity in teams.

BC said that as the Board's Executive Sponsor for the audit, he was responsible for the timing not being ideal. The focus at the time of agreeing the audit plan had been on the sustainability aspects of the supplementary staff issue, and had coincided with some other audit work being

delayed. There would be learning taken forward from this discussion.

DE explained that Internal Audit operated independently but collaboratively with management and was ultimately accountable to the Audit and Risk Committee. The audit plan was designed to provide assurance over the areas of greatest risk and strategic importance, and was developed through a risk-based approach being informed by the organisation's Risk Register and strategic priorities. The draft plan was presented for initial feedback, with a final version being brought back for formal approval before proceeding giving opportunities to change the focus or scope of reviews and replace with planned audits with more urgent priorities. KH raised concern that, given the timing of the audit being before full implementation of Allocate, any findings and recommendations would be compromised as a result.

With reference to the Supplementary Staffing audit, DE added that even though it was relatively early in the process, the audit had helped identify some of the teething issues and areas where the Board needed to make continuous improvement as Optima beds in. NC commented that the issue with this audit may be more around how to address the reported partial management responses to enable recording robust responses which the Committee can be assured accurately deal with the recommendations. DE explained the IA process for reviewing management responses, and how IA would take a pragmatic approach to assessing the progress made. Any remaining residual concern could be raised in the Board's risk register.

CM gave Members some background context to the national Allocate system and its replacement of SSTS as feeding the payroll system as the sole tool which will prevent the double keying and double rostering. The BAU team have provided training and online resources in order for all staff to be fully integrated onto the Allocate Optima system by the deadline.

Members suggested that Supplementary Staffing should remain on the Committee's agenda in order for Members to receive interim updates on the audit recommendations.

ACTION: add Supplementary Staffing progress update to the Committee agenda

DECISION: the committee noted the Internal Audit Report 2024/25: Supplementary Staffing

17. Chief Internal Auditor Annual Report 2024-25

(Paper AUD 24/55)

DE presented the report which brought together all the internal audit work across the year (including those discussed today). The key point to note was the overall internal audit opinion which is an unmodified unqualified internal opinion which is the standard opinion given unless there are issues to bring to the attention of the Committee. The report sets out the areas that were reviewed and the issues found and cross cutting themes identified.

GJ expressed thanks to the Internal Audit team on behalf of the Committee for the hard work done over the year and in particular the detail around areas for improvement and for working collaboratively with the Board around these processes.

DECISION: the committee noted the Internal Auditor Annual Report 2024-25

18. Internal Audit Draft Strategic Audit Plan 2025-26

(Paper AUD 24/56)

DE presented the draft forward plan for 2025/26, developed through consultation with both executive and non-executive stakeholders. The plan is designed to provide assurance over key risk areas and is aligned with the organisation's risk register, ensuring a risk-based and strategically balanced approach. The plan builds on previous years' work, reflects current

and emerging priorities and remains open to committee feedback and revision. Audits will be staggered across the year to avoid overloading the committee at year-end and to support effective oversight and timely reporting.

The Committee was invited to review and comment on the proposed areas of focus and suggest any additional areas for review or key stakeholders (including non-executive members) to be consulted during specific audits. Once approved, the IA team will develop detailed scopes for each review in collaboration with management; incorporate lessons learned from previous audits, including stakeholder engagement and timing considerations.

Discussion

GJ stated that greater scrutiny around exit interviews for staff had been raised in various meetings previously plus bank and agency staff could be areas for inclusion in the plan for next year. DE replied that IA would be happy to explore with managers to see if there was scope for work around exits interviews in some way to establish if merits allocating time on the audit plan.

ACTION: IA to explore adding Exit Interviews to the plan for 2025/26

NC suggested that any further audit work around non-substantive staff should be delayed for a year till after the active work on reviewing job plans, tracking vacancies, reducing spend on agencies and identifying non-recurring/recurring savings had been completed. KW replied that this was an extensive piece of work with no set deadline so may drift into the next financial year (and audit plan cycle).

BC commented that the Committee needed to be clear about the outcomes sought from the proposed audit of exit interviews, for instance increasing the level of uptake or linking to managing retention of staff. GJ suggested that the aim of the audit was linked to recruitment and retention and learning lessons from across the organisation. LC added that some conversations with staff needed to begin before the point of exit interview in order to understand the reasons why they might leave the organisation.

JF pointed out there was already a recruitment audit in the plan for 2026/27 and asked which year the Committee suggested these proposed audits should be considered for or if something should be moved off to replace anything currently in the audit plan for 2025/26.

Members agreed to approve the plan as presented and in addition BC, CM and KW will have a conversation with IA outside the meeting to agree which audit should go ahead in Q1 of 2025/26 and which audit to substitute out till next year. The Committee acknowledged there might be a subsequent amendment to the Strategic Audit Plan 2025/26 as a result.

ACTION: CExec, Dfin and Head of Finance & Procurement to discuss proposed new audits with Internal Audit

DECISION: the committee approved the draft Strategic Internal Audit Plan 2025/26 (in the knowledge there may be an amendment before the next meeting in June)

Standing Items

19. National Fraud Initiative 2024-25

(Paper AUD 24/57)

KW explained the National Fraud Initiative exercise was conducted every 2 years and after analysis, there were only 5 transactions found containing errors amounting to just over £10k which is a very small proportion of error when considering the data set for accounts payable was £130M. The reasons for error were sometimes human error and gave examples of these. There were no instances of fraud detected.

DECISION: the committee noted the National Fraud Initiative 2024-25 report

20. Audit and Risk Committee Business Plan 2025-26 *(Paper AUD 24/58)*

CM reminded Members that the draft plan had been initially approved at the last meeting according to the standard cycle and now comes to each meeting for review and agreement. The dates for the training events were yet to be confirmed with Azets and the subject matter for these will be decided upon in due course.

DECISION: the committee approved the Business Plan 2025-26

Other Items

21. Audit & Risk Committee Self-Assessment Annual Performance Report 24/25

(Paper AUD 24/59)

CM presented the report and explained that due to the fact there had been 3 different Chairs for the Committee during the year (and GJ had only recently taken over the Chair) CM had written the report on behalf of the committee taking account of the feedback that was submitted. There had been no issues or comments raised within the submissions, but Members noted there were comments in the report relating to issues raised last year which are not yet fully resolved. There were no material concerns in the report and only noted suggested areas of improvements.

GJ proposed the report be approved once the attendance for today's meeting was added.

DECISION: the committee approved the Audit & Risk Committee Self-Assessment Annual Performance Report 24/25

22. Audit & Risk Committee Terms of Reference *(Paper AUD 24/60)*

CM reported that the main change to the Terms of Reference was in the membership of the committee which reflects the decision of the Board in November.

DECISION: the committee approved the updated Terms of Reference.

23. Changes to Annual Accounts Manual *(Paper AUD 24/61)*

CM informed the Committee that at the time the paper was issued, the SGov had not issued the final accounts manual and their annual letter. These were issued at the end of last week so will be presented to the Committee at the June meeting. The Board's annual accounts will be prepared taking account of the changes in the updated manual and EA will report on compliance at the June meeting also.

DECISION: the committee noted the Changes to the Annual Accounts Manual update.

24. Any Other Business

There was no further business.

25. Date of next meeting: Thursday 19th June 2025 at 10.00am by Microsoft Teams.

[the meeting concluded at 4.05pm]

(IN PRIVATE)

26. Private meeting between Committee Members and Auditors