

## SHETLAND NHS BOARD

**Minutes of the Meeting of the Audit and Risk Committee held at 10.00am on  
Tuesday 31<sup>st</sup> March 2026 via Microsoft Teams**

<b>Present</b>	
Mrs Gaynor Jones [GJ]	Non-Executive Director (Chair)
Mr Lincoln Carroll [LC]	Non-Executive Director
Mrs Kathy Hubbard [KH]	Non-Executive Director
<b>In Attendance</b>	
Mr Colin Marsland [CM]	Director of Finance
Ms Edna Mary Watson [EMW]	Chief Nurse (Corporate)
Mr David Eardley [DE]	Internal Audit
Ms Rachel Brown	External Audit
Mr Stephen O'Hagan	External Audit
Mr Jamie Fraser	Internal Audit
Mr Daniel Cunningham [DC]	External Audit
Mr Karl Williamson	Head of Finance and Procurement
Ms Millie Boulton	Board Business Manager

**1. Apologies for Absence**

Apologies for absence were received from Natasha Cornick and Brian Chittick. In Natasha Cornick's absence, the Chair recorded the Committee's appreciation for her significant contribution to the Committee and the wider NHS Shetland Board over a number of years, including her service as Chair of this Committee. It was noted that this was her final day with NHS Shetland following completion of her term of office.

**2. Declaration(s) of Interest**

There were no declarations of interest.

**3. Draft Minutes of the Meeting held on 25<sup>th</sup> November 2025**

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

- CM confirmed that the Audit Scotland report 'Improving Care Experience: Delivering the Promise' had been shared more widely with all Board Members.
- GJ confirmed that the dates for training with Internal Audit had been confirmed.

**4. Action Tracker**

Members noted the action tracker.

**5. Matters Arising from the meeting on 25<sup>th</sup> November 2025**

There were no Matters Arising.

**6. External Audit: NHS Shetland Annual Audit Plan 2025-26 Accounts (Paper AUD 25/42)**

RB presented the NHS Shetland Annual Audit Plan 2025/26 and confirmed that she and her team remain independent of NHS Shetland, with no non-audit work planned for the Board during the year. The Committee noted that the external audit covers the annual report and accounts, wider scope and best value responsibilities, and members' responsibilities in relation to fraud reporting.

The Committee noted the standard significant audit risks relating to management override of controls and the valuation of land and buildings, the proposed timetable and fee, and that no significant wider scope or best value risks had been identified. Ongoing liaison with Internal Audit was also noted.

**DECISION: The Committee noted the Annual Audit Plan 2025/26 Accounts.**

**7. Audit Scotland: NHS in Scotland in 2025**

*(Paper AUD 25/43)*

CM presented the annual report published by Audit Scotland which reflects the findings of the 22 auditors at each of the health boards around issues and concerns that they raise. Some of the issues and concerns highlighted in the report would be common members of the committee from previous meetings.

**Discussion**

KH observed that, while national reports indicate increased staffing and clinical activity across the NHS, significant waiting list pressures remain, making it difficult to draw clear conclusions about the underlying drivers of demand and system performance nationally (as well as locally). CM added that staffing numbers in NHS Shetland had also increased.

RB acknowledged the challenges outlined and noted that the report reinforces the need for system-wide change, with the Service Renewal Framework, Population Health Framework and sub-national planning presenting an opportunity to support improvement. It was recognised, however, that these are longstanding issues and that local solutions may not be transferable across all boards.

CM added that these pressures were reflected across all four UK nations, with services continuing to experience the effects of appointments cancelled during the COVID period, delayed discharges and consultant workforce shortages. He noted that these pressures also affected patient pathways for NHS Shetland, including travel to the Golden Jubilee hospital due to capacity constraints elsewhere, and emphasised the importance of continued training and recruitment to strengthen specialist capacity.

**DECISION: the Committee noted the Audit Scotland: NHS in Scotland in 2025 report.**

**8. Audit Scotland: Delayed Discharge, a sign of wider challenges in health and social care**

*(Paper AUD 25/44)*

CM presented the report and advised that it highlighted the continuing challenges across NHS Scotland in supporting timely discharge and ensuring patients receive care in the most appropriate setting. He noted that, in Shetland, delayed discharges are influenced by local factors, including the local authority's role as the main provider of care home beds and recruitment difficulties affecting community and care home services. It was further noted that most delayed discharges locally relate to discharge home with packages of care rather than care home placement. CM emphasised the need for investment in the appropriate parts of the system to reduce delayed discharge bed days, improve patient flow and support elective care activity.

**Discussion**

In response to a question from GJ on data collection and analysis of delayed discharge beds, CM advised that delayed discharge cases are often complex and multifactorial. He noted that current bed capacity pressures had been mitigated in part by the reopening of seven surgical beds, but that wider workforce challenges remain, particularly in relation to recruitment and training for community care and social work roles. It was further noted that addressing delayed discharge requires the right resources in the right place, alongside continued emphasis on prevention, hospital at home and other early intervention measures to support people to remain well for longer and reduce avoidable admissions.

**DECISION: the Committee noted the Audit Scotland: Delayed Discharge, a sign of wider challenges in health and social care**

**9. Accounts Commission: Integrated Joint Boards – Finance bulletin 24/25**

*(Paper AUD 25/19)*

## **APPROVED – 18<sup>th</sup> June 2026**

CM advised that the report provided a national overview of the financial and service pressures facing Integrated Joint Boards across Scotland, noting the significance of delayed discharge within this context. In discussion, it was recognised that the report largely reflected known challenges, including diminishing reserves, continued reliance on non-recurrent savings and ongoing top-up requirements from local authorities and NHS Boards. Members also noted that the report underscored the need for significant decisions on future service provision.

### **Discussion**

In discussion, it was noted that the principal challenge for social care capacity in Shetland was workforce availability rather than pay, with recruitment and retention difficulties, an ageing workforce, limited housing and continued reliance on temporary staffing all affecting service capacity and care home bed availability. Members recognised that these pressures were not unique to Shetland and that local partners continued to work collaboratively to address them. It was also noted that, notwithstanding these challenges, the local financial position compared favourably with that of some other Boards and IJBs.

KH noted that the report acknowledged that national targets do not always reflect the complexity of local circumstances.

LC commented that local measures were being taken to support social care recruitment and workforce development, including values-based recruitment and opportunities to train locally as a social worker. While these initiatives were beginning to have some impact, it was recognised that they would take time and sustained support to deliver wider benefits.

Rachel Brown noted that the challenges discussed were reflected across the Health Board, IJB and Council, particularly in relation to housing and workforce pressures. She highlighted the importance of continued partnership working, local innovation and the use of technology to support care, and emphasised the need for a consistent public message across agencies on the difficult service changes that may be required. It was recognised that, while local action would not remove all pressures, it should contribute to improving the overall position.

**DECISION: the Committee noted** the Accounts Commission: Integrated Joint Boards – Finance bulletin 2024/25

## **10. Risk Management Summary Out-turn Report 25/26 and Draft 26/27 Workplan**

*(Paper AUD 25/46)*

EMW presented the Risk Management Out-turn report for 2025/26 including the draft Workplan for 2026/27. The key points highlighted to members were:

- A new process was introduced to review outstanding internal audit actions before they are reported to the Committee.
- Members noted the continued benefits of the Chief Executive chairing the Group, while acknowledging occasional scheduling challenges due to national commitments.
- Changes to the meeting structure had provided greater opportunity for directors to raise emerging issues and share operational challenges across services.
- Work was underway to localise the National Framework for Reviewing and Learning from Adverse Events, with the local framework expected by the end of June.
- In relation to JCAD access, revised arrangements had been agreed to support reporting and regular review of partnership risks through strategic partnership meetings.
- It was recognised that further work was required on the Board's risk appetite and discussions with the Chief Executive were ongoing to progress this in the next quarter.
- For 2026/27, the workplan would retain its current format, with a stronger focus on governance compliance, development of a new risk management strategy and implementation of Healthcare Guardian as a broader assurance framework.

**Discussion**

KH raised concern that capacity pressures may affect timely follow-up of adverse events and risk register reviews, and welcomed plans for more focused risk review at Risk Management Group meetings. EMW replied that the team had faced significant capacity pressures due to a longstanding vacancy and the team leader's secondment, but noted plans to advertise the risk post as a full-time role, recognising that recruitment may remain challenging.

GJ welcomed the thematic learning set out in Appendix 1B and queried whether the proposed timescales within the new plan were realistic in light of the capacity constraints highlighted. EMW acknowledged that some timescales may require revision due to capacity constraints and delays to the implementation of Healthcare Guardian, but noted that the workplan reflects the team's key priorities and that any slippage would be reported to the committee through regular updates.

**DECISION: the committee noted** the Risk Management Summary Out-turn Report 25/26 and Draft 26/27 Workplan

**11. Strategic Risk Register Report Q3 2025/26** *(Paper AUD 25/47)*

EMW presented the report and assured the committee active and regular review of strategic risks was now in place, representing an improvement from previous arrangements. Other highlights in the report included:

- there had been no overall deterioration in the strategic risk profile, although some risks were becoming more challenging to manage.
- No strategic risks had increased during the quarter; reductions were reported for the two financial risks and for SR17 (IT failure due to cyber attack), reflecting improved year-end financial confidence and additional cyber controls.
- One estates-related risk had been closed and replaced by three new estates risks relating to climate emergency/net zero, the structural integrity of Gilbert Bain Hospital, and the ageing NHS Shetland estate.
- These estates risks had been reviewed by the Risk Management Group, with concerns escalated and agreement reached to write to the Chief Executive of NHS Scotland.
- EMW noted that a number of risks continued to show gaps in control measures, particularly within estates-related risks.
- delays to Healthcare Guardian implementation would require continued use of RL Datix for a further financial year before transition to the new system.

**Discussion**

Members welcomed the clearer articulation of the estates risks and the more proactive approach now being taken through the Risk Management Group, noting that this had improved visibility and supported more focused discussion; concern was also expressed that the Chief Executive's lead role in digital, while aligned with wider sub-national work, could place additional pressure on capacity across his broader portfolio.

**DECISION: the committee approved** the Strategic Risk Register Report Q3 2025/26.

**12. Risk Management Group actions notes from 12th Nov 2025** *(Paper AUD 25/48)*  
**Risk Management Group action notes from 17<sup>th</sup> September 2025** *(verbal update)*

EMW explained that a number of issues raised at the Risk Management Group meeting on 12 November 2025 had been considered further at the March meeting, and the verbal update therefore focused on the most recent position, with an offer to provide clarification on any matters from the earlier paper if required. Their key areas of business included:

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- Ongoing concerns were noted regarding use of the HEPMA system for interim discharge letters, with implementation of NHS Grampian's Core Document Development solution delayed by capacity constraints; it was agreed that the Director of Pharmacy would write formally to NHS Grampian to seek a confirmed timescale, while alternative options would be kept under review.
- Members welcomed implementation of the Lone Worker system, which had already been successfully used in practice; the remaining issue relates to securing sustainable recurring funding.
- New operational risks were highlighted in relation to lift failures at Gilbert Bain Hospital and concerns regarding weighing scales across the organisation, reflecting the group's consideration of significant emerging risks alongside strategic matters.
- Members noted feedback from the Information Commissioner's Office regarding FOI response performance, with an improvement paper and action plan would be shared at the next meeting.
- Discussion also covered sub-national planning, updates on internal audit actions, and prioritisation of the 2026/27 internal audit plan to reflect available capacity.

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

### **Internal Audit**

#### **13. Internal Audit Progress Report Quarter 3 2025/26** *(Paper AUD 25/49)*

DE presented the report and advised that delivery was broadly on track, with four reviews completed or in progress and fieldwork substantially complete. He noted that the planned project implementation review had been rescoped following discussion with the Chair, Director of Finance and others to ensure the work added greater value, and confirmed that the refocused review, together with the Quarter 4 follow-up and annual report, would be presented to the June Audit and Risk Committee.

**DECISION: the committee noted** the Internal Audit Progress Report Q3 2025/26.

#### **14. Internal Audit Management Action Follow-up Report Q3 2025/26** *(Paper AUD 25/50)*

JF presented the report and advised that, of the 12 actions brought forward from the previous review, three were complete pending evidence, two were incomplete, four were partially complete, one was not yet due and updates had not been received for two actions. Members were reminded that management should prioritise actions which had passed their original due date, and it was noted that a more substantive update would be provided to the June Committee meeting.

### **Discussion**

In response to a question from KH regarding an update on the Bank and Locum Onboarding management actions, CM advised that the outstanding onboarding action covered several separate workstreams and responsibilities across different leads, rather than sitting with one individual, which had contributed to delays and some outdated elements within the original action. He confirmed that onboarding arrangements were in place for agency staff, noted ongoing complexities in the distinction between bank and locum staff for national reporting purposes, and advised that implementation of a single system for policies and procedures (another outstanding management action) remained incomplete due to supplier issues.

Members discussed whether the outstanding onboarding action should be revised to reflect the separate workstreams and responsible leads, rather than being rolled forward unchanged, and agreed this should be considered further to support more meaningful progress and partial resolution where possible. The Chief Executive is in conversation with the responsible leads.

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Members expressed concern at the number of high-risk actions that remained outstanding and the limited progress information available, and sought clearer updates from responsible leads for the next meeting. Internal Audit acknowledged the need to provide as complete and up-to-date a follow-up position as possible and advised that a flexible approach could be taken, including greater management ownership, to support more timely and meaningful reporting.

**DECISION: the committee noted** the Internal Audit Management Action Follow-up Report Q3 2025/26

### **15. Internal Audit Report 2025/26: Income Generation** *(Paper AUD 25/51)*

JF presented the report and advised the committee that the review covered arrangements for identifying, recording and invoicing income across a number of chargeable services. He reported that 21 improvement actions had been identified, largely relating to the design of controls, and explained that the higher number of recommendations reflected a revised reporting approach under the global internal audit standards rather than a significant increase in issues. The main findings related to the absence of documented policies and procedures, reliance on key individuals in some areas, and the need to strengthen reporting and management oversight of bad debts.

#### **Discussion**

Members noted the recurring risk of key person dependency across a number of areas, recognising the challenges this presents within a small organisation with limited administrative capacity, and the need to explore ways of sharing responsibilities more effectively to improve resilience.

CM clarified that UNPACs was the correct term used in the report, although alternative terminology is used elsewhere. He explained that the income streams discussed included cross-border activity, road traffic collisions and overseas visitor charges. He advised that concerns had been identified regarding inconsistent invoicing practice in some areas, including a lack of progress on UNPAC invoicing following the audit. A revised process had therefore been introduced, with information now being provided directly to the Board from the Information Department to support reconciliation and invoicing, including for overseas patients. In relation to dental and independent sector income, fees must be applied and recovered consistently in line with nationally set Scottish Government charges. He noted that non-payment should not result in routine treatment being provided without recovery of the appropriate income, other than emergency treatment where required, and emphasised the importance of equitable application of charging arrangements across Scotland. CM further advised that the main areas of bad debt historically related to laundry charges, accommodation charges and unrecovered relocation expenses, and confirmed that the current significant debt related separately to an individual practice.

KW agreed that improvements were required to strengthen procedures and ensure timely recovery of income. He noted, however, that the sums involved were not material in the context of overall NHS funding. He advised that measures were being taken through the finance restructure to reduce reliance on individual staff members and to improve resilience, and that these actions would be reflected in the follow-up to the report.

The Chair welcomed the actions described and noted reassurance that barriers to improvement were being identified and addressed. KW added that documentation of policies and procedures remained an area requiring further attention and should be progressed.

**DECISION: the committee noted** the Internal Audit Report 2025/26: Income Generation

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**16. Internal Audit Report 2025/26: Strategic Planning** *(Paper AUD 25/52)*

JF presented the report and advised that the review examined how the Board's Strategic Delivery Plan 2024–2029 is translated into delivery, monitored and reported against strategic aims. He reported that 6 improvement actions had been identified, all relating to the design of controls. It was noted that a Strategic Delivery Plan is in place, supported by annual delivery planning and a year one review, and that management had already begun strengthening governance arrangements through a revised structure, including a Programme Board, Strategic Oversight Group and bespoke performance matrix. The review found, however, that further work was required to translate the Strategic Delivery Plan into supporting action plans with clear milestones, responsibilities and measurable outcomes, and to strengthen performance monitoring, progress reporting and centralised oversight. The proposed revised governance arrangements were noted as providing a positive direction of travel in addressing these issues.

**Discussion**

Members noted that reporting to the Board on delivery of strategic priorities could be strengthened, although more detailed reporting (through IJB) was available in some areas, including shifting the balance of care and primary care redesign. It was recognised that greater focus was now required on delivery as well as planning, and that the Strategic Change Oversight Group would have a key role in strengthening governance and oversight of implementation of the Strategic Delivery Plan.

**DECISION: the committee noted** the Internal Audit Report 2025/26: Strategic Planning.

**17. Internal Audit Report 2025/26: Business Continuity and Estates Infrastructure Essential Investment** *(Paper AUD 25/53)*

DE presented the report and advised that the review provided a good level of assurance, with evidence of strong engagement, effective submission processes and positive support from the Capital and Asset Management Group. He reported that four minor improvement actions had been identified, principally to strengthen governance and documentation, including clearer frameworks, defined responsibilities, improved standards for planning, prioritisation and risk assessment, and minor refinement of the Group's terms of reference. It was noted that, while backlog maintenance and infrastructure investment remain a significant long-term challenge nationally, the Committee could take assurance from the work undertaken locally and the overall strength of the process.

**DECISION: the committee noted** the Internal Audit Report 2025/26: Business Continuity and Estates Infrastructure Essential Investment

**18. Strategic Internal Audit Plan 2026-27** *(Paper AUD 25/54)*

DE presented the plan and advised that it had been developed following earlier discussion with the Committee and further engagement with key stakeholders, including the Chief Executive and the Audit and Risk Management Group. He explained that the proposed programme reflected the feedback received and was focused on resources, people and probity. The principal areas proposed for review included contract management and procurement, staff performance management, and statutory and mandatory training.

**Discussion**

CM advised that the Clinical Governance Committee had suggested consideration of the Winter Plan within the internal audit programme. Following discussion at the Audit and Risk Management Group, it was concluded that the Winter Plan was too broad to be audited effectively as a single topic and that greater assurance would be gained by reviewing specific issues within the plan through more targeted audit work.

**ACTION: CM will confirm with the Chair of ARMG that this decision has been fed back to the Clinical Governance Committee.**

In discussion, clarification was sought on why some areas within the Internal Audit Universe were marked for cyclical review but not scheduled within the current plan. DE advised that the audit universe represents the full range of potential audit coverage, but that annual planning must be based on available audit days, risk assessment and local relevance. He explained that, while some areas may ideally be reviewed on a 3-5 year cycle, this is not always achievable in practice, and planning therefore reflects a pragmatic, risk-based approach informed by discussion with executive and non-executive members, management, the risk register and intelligence from wider audit work. It was also noted that some areas may receive assurance through other mechanisms (eg. fire safety) and may therefore not require inclusion within the internal audit plan.

CM advised that assurance in areas such as information technology and cyber security is already provided through other audit mechanisms, including the NIS audit, and that internal audit should avoid duplication where equivalent external assurance is in place. He noted that future internal audit coverage would be informed by the scope of the successor assurance arrangements once confirmed.

In response to a query regarding endowment funds, it was noted that these are a separate legal entity and are subject to annual external audit, with further scrutiny through Audit Scotland as part of consolidation into the Board's accounts. Members were advised that this provides regular assurance on governance and use of funds, and that any consideration of additional internal audit coverage would depend on the relative size, nature and complexity of the endowment arrangements.

**DECISION: the committee approved the draft Strategic Internal Audit Plan 2026-27.**

### **Standing Items**

- 19. Other Auditors Action Points (outstanding) update** *(Paper AUD 25/55)*  
KW provided an update on outstanding external audit recommendations. Members noted that the recommendations relating to IT engagement with the external audit process and workforce planning were partially complete. It was reported that arrangements for IT support to the audit process had improved following earlier service changes and the outstanding recommendation was expected to be closed off through the 2025/26 external audit process. Members also noted that workforce planning remained in progress, with a draft Workforce Plan having been considered by EMT and further development requested prior to approval. It was further noted that two recommendations remained ongoing. Mandatory training compliance stood at 68% at the end of March and continued to require improvement. In relation to policies and procedures, implementation of the PolicyStat system remained in its set-up phase, with further work underway to establish timescales for updating and maintaining policies once the system was operational.

**DECISION: the committee noted the updates.**

- 20. Audit and Risk Committee Business Plan 2026-27** *(Paper AUD 25/56)*  
Members considered the draft plan and noted that it remained aligned to the previous year's format, including the unchanged appendix on key risk and performance indicators. It was noted that the plan would be updated to include two additional reports scheduled for the June meeting. Members also noted that a further 3 training dates would be arranged during 2026/27, in line with the July to June internal audit contract cycle, with scheduling to take account of periods of annual leave where possible.

**DECISION: the committee agreed the plan with the caveats as described.**

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**21. Scheme of Delegation: Section 5 – Declaration Statement** *(verbal update)*

CM advised that the purchase of Kveldsro House Hotel for staff accommodation had exceeded the delegated financial limits of the Chief Executive and Director of Finance. In accordance with the Scheme of Delegation, the Chair of the Audit and Risk Committee and the Chair of the Board were notified in advance of the transaction. Members noted that the property had now been purchased and that this formed part of the wider response to the significant structural issues affecting staff accommodation at Montfield, the repair of which has an estimated cost of which had exceeded £4 million.

**DECISION: the committee noted** the Scheme of Delegation: Declaration Statement

**22. Audit and Risk Committee Self-Assessment Annual Performance Report 2025/26** *(Paper AUD 25/57)*

GJ presented the report and thanked fellow non-executive members for their feedback, which had been incorporated into the report. She advised that a minor amendment was required to reflect that attendance levels were slightly below the relevant KPI and that the statement indicating all KPIs had been met should be updated accordingly. Subject to that amendment, members agreed the report.

**ACTION: amendments to be made to sections 2 and 5 accordingly**

**DECISION: the committee approved** the Audit and Risk Committee Self-Assessment Annual Performance Report 2025/26 **with the caveat** that these amendments were made.

**23. Audit and Risk Committee Certificate of Assurance 2025/26** *(Paper AUD 25/58)*

GJ confirmed that the final Certificate of Assurance 2025/26 had been completed using the first statement option, with no concerns identified. Members noted that the draft circulated with the papers had been provided to allow consideration of the available wording options and confirmed their agreement with the statement submitted on the Committee's behalf.

**DECISION: the committee approved the Certificate of Assurance 2025/26**

**24. Changes to the Annual Accounts Manual 2025/26** *(Paper AUD 25/59)*

CM advised that a letter from the Chief Financial Officer for Health and Social Care, dated 20 March 2026, sets out the deadlines, processes and changes required for preparation of the annual accounts. Members noted that union representation disclosure was no longer required, alongside a number of other minor amendments. It was also noted that further sustainability-related disclosures would be required and that, while a sustainability policy was now in place, development of a sustainability strategy would be necessary during the following year.

**DECISION: the committee noted** the Changes to the Annual Accounts Manual 2025/26

**25. Any other business:** There were no further items of business.

**26. Date of next meeting:** Thursday 18<sup>th</sup> June 2026 at 10:00 by Teams.

*[the meeting concluded at 11.55am]*

**[27. Private meeting between Committee Members and Auditors]**

*The minutes were produced by Pauline Moncrieff, Board Business Administrator using the meeting recording and transcript*