Minutes of NHS Ayrshire and Arran Audit & Risk Committee Meeting

held on Thursday 19th May 2026 at 09:30hrs hours via Microsoft Teams

Present	Jean Ford, Non-Executive Board Member (Chair) Sukhomoy Das, Non-Executive Board Member Neil McAleese, Non-Executive Board Member Joyce White, Non-Executive Board Member Marc Mazzucco, Non-Executive Board Member Marie Burns, Non-Executive Board Member
In attendance	Lesley Bowie, Board Chair Gordon James, Chief Executive David Stonehouse, Interim Director of Finance Amanda Dowse, Assistant Director of Finance (Governance and Shared Services) David Eardley, Internal Auditor, Azets Rachael Weir, Internal Auditor, Azets Kyle McGuiness, Internal Auditor, Azets Aimee MacDonald, External Auditor, Audit Scotland Kirstin Sharp, External Auditor, Audit Scotland Kirstin Dickson, Director of Transformation and Sustainability Shona McCulloch, Head of Corporate Governance Judith Aspinwall, Financial Controller (Item 8.1) Shirley Taylor (Minutes)

1. Apologies and declarations of interest

1.1 Apologies

The Chair welcomed everyone to the meeting, apologies were received from Crawford McGuffie.

The Chief Executive advised that there has been a change to the membership from Audit Scotland and Louisa Yule, Aimee MacDonald and Kirstin Sharp will be in attendance in place of Fiona Mitchell-Knight and David Jamieson.

1.2 Declarations of interests

None noted.

2. Minutes of Meeting held on 19 March 2026

The minute of the previous meeting was agreed as an accurate record of the discussion.

3. Matters Arising

3.1 Action Log

Of the eight actions on the log, five are due and three are not yet due for completion.

15/05/2025 – 6.1- With regard to the Tender actions, a revised version of the report has been provided which should result in closure of the action.

19/03/2026- 3.1 -An update has been sent regarding the risk appetite implementation plan, which will be recirculated. Members were advised this provides detail of which risks will be at which meeting and this has been added to the risk teams channel. A summary will be shared with members to give a baseline of the process and the action can now be closed.

ACTION – Jean Ford

19/03/2026 – 3.2 - The timeline for the audit was discussed and the Assistant Director of Finance updated that the accounts were submitted on 04 May as requested by Audit Scotland. Weekly meetings are taking place with Audit Scotland and internally to keep up to date with any matters arising. It was agreed the action was now complete.

19/03/2026 – 4.3 - The Health and Safety audit was reported to the Board on 07 April 2026 and the action can now be closed.

3.2 Committee Workplan 2026/27

The committee workplan was received. Discussion took place on the Best Value update which was completed in early 2025 and whether this requires an update to the committee. It was reported this is now being managed via the Director for Transformation and Sustainability and an update would be provided at the September meeting of the committee. This will be added to the workplan.

ACTION – Shirley Taylor

4. Internal Audit

4.1 Internal Audit Progress Report

The Internal Auditor advised that the audit plan for 2025/26 has been concluded and the planning phase has been commenced for the 2026/27 audit plan.

Outcome: *The committee received the report*

4.2 Internal Audit Report – IJB Review – Community Equipment Store

The Internal Auditor presented the internal audit report for IJB Review – Community Equipment Store which was put forward by management due to areas of concern.

The report received an Amber -rating of substantial improvement required due to a range of issues however it was highlighted that the team are working extremely hard under difficult circumstances due to the systems in place.

Clear user management and access controls were identified and improvements have been made to reporting arrangements. A number of improvements are required in terms of control frameworks, procedural documentation due to a reliance on staff knowledge, completeness and accuracy of stock takes, issues with data entries and incomplete data not being followed up.

It was highlighted that there was very good engagement from all staff whilst completing this audit.

A question was raised with regard to the management comments and actions. It was responded that discussions took place as the audit was ongoing and most of the actions are due to be completed by the end of the year with a focus on next steps. The management action plan backs up the discussions which took place.

It was agreed that the Chair would share the report with South Ayrshire IJB for awareness and in terms of good governance.

ACTION – Jean Ford

It was highlighted that this is a small but fundamental area which can have an impact on the overall process e.g. delayed discharge so requires to run efficiently.

It was also highlighted that the actions/progress show a reliance on the new co-ordinator role and some key person dependencies so it will be necessary to upskill the team to reduce the dependency issues.

Outcome: *The committee received the report*

4.3 Internal Audit Report – CRES Plan – Follow Up Review
The Internal Auditor presented the CRES Plan internal audit follow up report. Good engagement was experienced throughout the audit.

The audit received a rating of Amber – Significant Improvement Required although it was highlighted that there has been improvement since the last audit which was conducted and financial sustainability will remain an ongoing challenge. Clear steps are being taken in relation to strategic alignment, governance and ongoing control and reporting with an improved picture within these areas.

Positive comments were made with regard to the design of the forward arrangements with the implementation phase being a crucial component.
With regard to key areas for development, there are lots of recommendations within the report however these are now more specific and will be easier to close off. Themes have been included so it is easier to see where each action sits. There will be assurance that QIA and EQIAs are completed to ensure more consistently across the organisation. It was noted that there has been good governance work done over the past year and where there is under-performance actions should be clear to bring back on track.

Members agreed it was useful to see the progress made and have this acknowledged. It was also noted that the revised arrangements due to deliver would provide the opportunity for some real scrutiny.

The Director of Transformation and Sustainability welcomed the audit and advised a lot of the recommendations have been picked up and are being progressed although some processes are yet to be embedded fully.

The committee were advised that there will be a follow up in July to confirm that processes and documentation are ready for reporting. The follow up will be presented to the committee in September and will feed into the Financial Sustainability audit planned as part of 26/27 programme.

A member raised a query with regard to broader issues within the report such as realistic and unrealistic assumptions and the level of confidence that can be placed on management responses and whether these have been adequately addressed. The Internal Auditor responded that there was some uncertainty around the strength and clarity of management response during the finalisation of the report however a significant amount of work has been undertaken, multiple controls are now in place and there is strong awareness across the team. Enhanced performance reporting has been introduced with both financial and operational metrics and although ongoing challenges remain these are being recognised and embedded. It was also highlighted that there is an updated communications plan including the introduction of a monthly financial newsletter for all staff. A new Director of Improvement will commence in post on 01 July 2026 who was previously based within Grampian and will work closely with the PMO function. Members agreed that there is a clear sense of improvement and clarity.

The team were thanked for their input to the report.

Outcome: *The committee received the report*

4.4 Internal Audit Report – Pharmacy Stock Management

The Internal Auditor presented the Pharmacy Stock Management internal audit which received a rating of yellow – minor improvement required. It was clear from the audit that there is lots of good practice within the area with clear standing operating procedures in place along with clear understanding of the roles and responsibilities. Good physical security controls were in place at both sites and there was also good management with regard to the invoicing and Purchase Order process.

Good management of controlled drugs was noted however an improvement was identified in relation to returned or unclaimed medicine whereby there is the potential for a number of drugs to be sitting and expiring.

Overall it was noted that this was a good audit with clear management actions and reviews in place. Pharmacy colleagues were thanked for their input to the report.

Outcome: *The committee received the report for onward distribution to the Healthcare Governance Committee for monitoring of actions*

4.5 Internal Audit Follow Up report
The Internal Auditor advised that 80 actions were followed up within this quarter and appreciation was given for the work carried out and engagement in the process. 26 action were closed. Four actions related to the GP sustainability payments audit are deemed complete by business but evidence is still to be assessed by Internal Audit. Members were asked to approve the closure of two actions from the audits of Digital Strategy 2023-24 and Staff Performance in 2024-25 as they have been superseded. 33 actions are not yet due for completion and will continue to be reviewed. 15 actions have been noted as partially complete.

Members' attention was drawn to page 6 of the report which shows the increasing trend of open actions. This shows that although the team are working with a higher number of actions the number of actions overdue has decreased.

Approval was given for the two actions to be removed.

Outcome: *The committee received the report*

4.6 Annual Internal Audit Report 2025/26
The Internal Auditor presented the audit report to complete the 2025-26 audit plan. The report draws together all the work completed throughout year and summaries the key outcomes and overall assurance opinion.

The audit opinion stated that NHSA&A has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives, except in relation to aspects of financial sustainability and in elements of health and safety.

A question was raised with regard to the reactive control environments as they have been noted as reactive whilst some areas only had minor improvements. It was clarified that this does not drive the overall opinion however the wording would be removed.

The Chief Executive updated members that the seven actions from the Health and Safety audit have now been completed.

The Chair asked if there was a way to provide some recognition within the report as to how many actions have been raised and completed. It was agreed this would be added.

ACTION – David Eardley

Everyone was thanked for their efforts in relation to the report.

Outcome: *The committee received the report*

5. Assurance

5.1 National Finance System Assurance Report – ISAE3402
The Assistant Director of Finance advised that the draft report has just been received and will be shared with members and signed off by the end of the week.

The purpose of the audit is to test the internal controls of the national single instance finance ledger which is operated by NHSA&A on behalf of all board.

The audit has previously not been fully completed as ATOS control some areas of the system. These areas have now been audited and one exception was highlighted in terms of RAM and the timing of a user being approved. The process and paperwork for this has now been reviewed to ensure checks are in place and the team have been advised with regard to the process for approval of new users to the system. Internal spot checks will be carried out to ensure this is being followed. Lessons have been learned to ensure the report is completed more timely in the future.

The report will be shared with members. Clarification was sought as to whether the report required formal approval from the committee or whether it was being shared for awareness and this will be confirmed prior to circulation.

ACTION - Amanda Dowse

Outcome: *The committee received the report*

5.2 Register of Gifts, Hospitality and Interests
The Head of Corporate Governance provided a verbal update on progress of the Register of Gifts, Hospitality and Interests. It was clarified that this is an organisation wide policy which is brought to Audit and Risk for compliance with business standards and declaration arrangements. There is a robust assurance system in place which gives clear guidance.

A concern was previously highlighted regarding what was declared in comparison to what was published by the ABPI. Unfortunately further reporting has been delayed due to resource issues and engagement with key stakeholders. Steps are being taken to strengthen compliance and understanding and information will be communicated to staff in an easy to read format with timings being aligned to the publishing of the ABPI data.

A full report will be presented to the committee in September 2026.

The Chief Executive advised members that the process is about protecting staff and making sure there is an understanding of the onus in relation to this. The data provided by ABPI has helped to highlight the gaps to allow the process to be tightened but it may not be appropriate to align reporting with ABPI in future or indeed to complete any cross check. This will be considered as matters progress.

Outcome: *The committee received the update*

6. Governance and Risk

6.1 Tender/Quick Quote Waiver Report
The Assistant Director of Finance presented the tender waiver report and noted that this is being presented in a different format and any comments would be welcomed. The report provided the annual position for tenders throughout the year

with £2m being approved from over 50 waivers. This value represents approximately 2% of non-pay expenditure.

The majority of waivers received are sole source due to the same supplier being used to carry out maintenance. Procurement are working with areas to see if we can be more competitive going forward. Member attention was drawn to appendix three which shows the live contracts in place where there is a tender waiver.

Members were happy with the level of detail contained in the new format of the report which was found to be easy to read and added the level of scrutiny required.

A question was raised with regard to the best value programme delivery and why this was noted as a sole supplier. It was clarified that the programme was funded and agreed by Scottish Government.

A further question was raised with regarding to electric vehicles being noted as sole source, it was agreed that extra context regarding this would be helpful for members to understand why this is sole source.

ACTION – Amanda Dowse

The Director of Finance provided some observations on the report which was very well put together and allowed for scrutiny. A robust process has been put into place for all waivers led by the procurement function and it is hopeful that the number of waivers will reduce in the future.

The Chief Executive also highlighted that the report is bringing good governance in terms of tender waivers to the committee for review and awareness. Any tenders over £50k will be published on Public Contracts Scotland as an awards notice and a tender waiver is a governed process. The process also helps to prevent fraud and it was agreed that a review would be undertaken to ascertain any waivers being renewed on a yearly basis.

ACTION - Amanda Dowse

Outcome: *The committee received the report*

7. External Audit

7.1 Draft Narrative for the Annual Report and Accounts
The Director of Finance shared the draft narrative for information and awareness and thanked the team for their contribution to the report. The report has been reviewed by external audit colleagues and is largely FREM compliant.

The Assistant Director of Finance noted that a couple of points have been raised but overall the process ran smoothly and a lot of people were involved in producing the report.

The committee thanked the team for the improvements to the report from what was produced last year.

The external auditor advised that a significant amount of work has gone in to the production of the report which was received on the first day of the audit.

Outcome: *The committee received the draft narrative*

8. Fraud

8.1 Counter Fraud Update Report
The Financial Controller provided an update on counter fraud and advised that this will be reported in May and November each year as part of the new timetable.

The cases since the last report were examined and it was noted that feedback from Counter Fraud Services are that the case mix is as expected and the driving factors are similar to other boards.

In terms of active investigations, there are three which are still ongoing and CFS are working with the Procurator Fiscal to progress these. It is hoped these will be updated by the next committee.

The draft self-assessment against Counter Fraud Standards was presented to the committee in January 2026 and again now for approval. This will be presented in May of each year and in November to show the progress being made. Eight standards have been achieved this year and action continues towards meeting all in conjunction with CFS. The committee were happy to approve the self-assessment.

Outcome: *The committee received the update*

9. Any other competent business

9.1 ARC Annual Report
The annual report was shared with members to highlight the work of committee in the course of the year and how the committee responsibilities have been discharged as part of the terms of reference. The committee were content to approve the report for submission to the NHS Board.

Outcome: *The committee approved the report for submission to the NHS Board*

10. Key issues to report to the NHS Board

The following items were agreed to be reported to the Board:

- Internal audit annual report
- Actions update
- Three Internal Audit reports
- National finance system audit
- CFS assessment approved

11. Risk issues to report to the Risk and Resilience Scrutiny and Assurance Group

Nothing to note

12. Date of next meeting

Thursday 23rd June 2026 at 9.30am via Microsoft Teams

Approved by Chair of the Committee:

..... Date: .....