

**Minutes of
NHS Ayrshire and Arran Audit & Risk Committee Meeting
held on Thursday 22 January at 14:30hrs hours via Microsoft Teams**

- Present** Jean Ford, Non-Executive Board Member (Chair)
Neil McAleese, Non-Executive Board Member
Joyce White, Non-Executive Board Member
Marc Mazzucco, Non-Executive Board Member
Marie Burns, Non-Executive Board Member
Sukhomoy Das, Non-Executive Board Member
- In attendance** Derek Lindsay, Director of Finance
David Stonehouse, Interim Director of Finance
Amanda Dowse, Assistant Director of Finance (Governance and Shared Services)
Rachael Weir, Internal Auditor, Azets
Fiona Mitchell-Knight, External Auditor, Audit Scotland
Kirstin Sharp, External Auditor, Audit Scotland
Adam Bulloch, Audit Scotland (Item 4.1)
Naomi Ness, Audit Scotland (Item 4.1)
Crawford McGuffie, Medical Director
Roisin Kavanagh, Executive Director of Pharmacy
Jennifer Wilson, Nurse Director
Zoe Fance, Head of Procurement (Item 5.2)
Judith Aspinwall, Financial Controller
- Shirley Taylor (Minutes)

1. Apologies and declarations of interest

1.1 Apologies

The Chair welcomed everyone to the meeting, apologies were received from Gordon James, David Eardley and David Jamieson.

1.2 Declarations of interests

None noted.

2. Minutes of Meeting held on 20 November 2025

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

3. Matters Arising

3.1 Action Log

Of the 11 actions noted within the action tracker five have been completed, five are not yet due and action 6.1 from 15 May 2025 needs an update. It was agreed that a new completion date would be added to this action related to tenders to enable final improvements to be completed.

Actions 6.4 from 20 November 2025

The Medical Director advised that risk 668 and 669 are being amalgamated into a new risk which should be available within the next report from RARSAG. The Director of Finance added that the updates for risk 703 are quarterly and would be included within the next cycle to committee. Previous feedback from the committee has been included in the update.

The Medical Director agreed to assist with organisation of a meeting with the risk team as there has been difficulty in securing a date for this.

ACTION – Crawford McGuffie

3.2 Committee Workplan 2025/26

The committee workplan was received with changes noted in red. It was highlighted that the Code of Corporate Governance has been moved to the March meeting for update.

4. External Audit

4.1 Delayed Discharges

Adam Bullough and Naomi Ness attended from Audit Scotland to present the findings of the Delayed Discharges audit which was published on 8 January 2026. The audit primarily looked to answer two questions, what are the key factors leading to delays and what is process to manage this at both a local and management level and also what has been the impact of the steps being taken to find a sustainable long-term solution to reduce delayed discharges. It was highlighted that East Ayrshire has been one of the three IJBs for more detailed review with some areas of good practice identified. A Business Intelligence data output tool has been produced as a result of the audit which allows for a comparison of local and national data and provides another method to manipulate the data which is available.

The key messages from the audit were examined and it was noted that the number of delayed patients nationally had reduced slightly in October 2025 however there remained high numbers of clinically unnecessary days in hospital. The total cost of these for 2024-25 was £440m. The reasons behind this are complex but the report has highlighted wider challenges across the system. The Scottish Government and Integration Authorities have targeted delayed discharges which has led to a minor improvement however better analysis is still needed for both cost and impact and it is not yet clear how shared accountability can be achieved.

The recommendations were considered in terms of best practice and areas for improvement and it was highlighted that guidance will be published to provide public awareness of the need to have personal Power of Attorney to protect the need for Guardianship. An implementation plan will be developed in respect of these.

It was agreed that both Scottish Government and Public Health Scotland need to provide a clear cost of delayed discharges. Scottish Government also need to assess the current measures of monitoring and introduce a suite of indicators to monitor how delays are dealt with. IJBs and Health Boards need to fully implement the Carers (Scotland) Act 2016 as unpaid carers not being consulted can increase delays and readmissions. The recommendations will be monitored and actioned by CRAG going forward.

A question was raised in relation to the opportunities for benchmarking. It was confirmed there is a lot of variance within the data and lots of different initiatives taking place so there needs to be some analysis to see what is having the most impact.

The Director of Finance highlighted the appendix showing delays per 100k population which was helpful in terms of comparison. This shows that North Ayrshire and South Ayrshire are both sitting as second highest equally. Delays have increased across all three Ayrshire areas between October 2024 and October 2025. It would be useful to consider the areas with lower numbers to see what initiatives have been adopted in these areas.

A committee member reported that there is a huge amount of work that goes into delayed discharges however the complexity of the population can be a big factor such as people requiring more interventions or adaptations to be able to live safely in their own homes. There are a number of detailed regular reports outlining actions being taken to address these issues. It was stated that a large investment is needed in this area.

The Nurse Director advised that the Discharge Without Delay work is giving some assurance however this is only one element and meetings are taking place with the appropriate people to see what radical changes can be made.

It was agreed that it would be beneficial to receive some support from Scottish Government in terms of Guardianship and Power of Attorney. It was confirmed there will be a meeting in the next couple of weeks to look at how to approach this as it is a good opportunity for public messaging. Work is also being undertaken in the Audit Scotland advisory group to better promote this however a whole system approach is required.

Outcome: *The committee received the report and presentation*

4.2 NHS In Scotland 2025

The Director of Finance presented the NHS in Scotland 2025 report and advised that Audit Scotland were invited along to speak to this however the relevant representatives were not available. This report was presented to the Public Audit Committee on 7 January 2026.

The briefing paper accompanying the report highlighted that funding for NHS Scotland increased by 3.4% in 2024-25 from 2023-24. This is 25% higher than 10 years ago and spending is 37.5% of the Scottish budget with health spending expected to grow further due to cost pressures from workforce pay, new medicines and procurement as well as demand for services due to an ageing population, and health inequalities.

Despite increased funding, seven boards required loan funding totalling £230m. Five of these boards are at level three due to financial management with Grampian being escalated to level four. Section 22 reports have been produced for both NHS Ayrshire and Arran and NHS Grampian due to financial management and sustainability issues.

There has been a 3.7% increase since 2023-24 on staffing spend driven by both staffing numbers and pay increases.

Scottish Government have replaced brokerage with other forms of financial support. In 2025-26 there has been an introduction of sustainability funding, deficit support funding and financial support funding.

Capital spending fell in 2024-25 and new national treatment centres were paused.

A committee member questioned that although the report focussed on financial aspects the recommendations note that productivity is less than pre-pandemic levels and how does this link. The Director of Finance advised that this formed part of a presentation at the October 2025 Board Workshop and was the case across the whole NHS that pay increases and less hours worked as a result of the reduced working week will further reduce productivity. It was agreed it would be interesting to examine this in more detail and maybe in terms of clinicians versus support functions and how this is measured. It was agreed this would be discussed with the Board Chair to see if it is necessary to examine this further.

ACTION – Jean Ford

The Interim Director of Finance advised members that the 15 box grid is a useful tool to examine what other benchmarking data is available.

The External Auditor agreed that as an Audit and Risk Committee it was important to see how money is spent to ensure best value and as Board members to make future decisions whilst understanding the impacts of activity and outcomes.

The Medical Director assured members that there are multiple approaches taken to benchmarking to ensure efficiency. The data is used to identify signals regarding resources, finance, staffing and estates. Local work is taking place regarding supplementary nursing and medical spend where work is ongoing to retrieve data and produce individual improvement plans.

Outcome: *The committee received the report*

5. Internal Audit

5.1 Internal Audit Progress Report

The Internal Auditor presented the internal audit report which provides progress against the plan. Since the last meeting an audit has been completed on Non-Pay Expenditure and work has commenced on Cyber Security. Contact has been made regarding the remaining audits to be scoped for the year. Additional time was required for management to agree the actions on the Health and Safety Audit so it will now be reported to the March meeting.

The Chair questioned the follow up of outstanding actions and it was confirmed this is progressing in the background and regular discussions are taking place at CMT.

Outcome: *The committee received the report*

5.2 Internal Audit Report – Core Financial Controls – Non-pay Expenditure

The Internal Auditor presented the Core Financial Controls – Non-Pay Expenditure Internal Audit Report which has received a rating of red – immediate major improvement required. It was highlighted that there was only one red recommendation within the report but due to the number of amber recommendations it was felt that a red rating was the correct one.

Various controls have been found to require improvement as well as updating of policies and procedures. There is some crossover within the report with Procurement and Accounts Payable and within the sample testing there was found to be issues with goods receipting by budget holders. Some of these issues were already known and highlighted to the team right at the beginning of the audit. The draft report was issued in October and there have been numerous discussions which have been found to be very constructive. The team were thanked for their input and collaboration which was found to be very positive.

The Assistant Director of Finance welcomed the audit and the findings within the report and although there are a number of recommendations the key issue has been inconsistencies regarding controls being applied and formal documentation on the process and roles and responsibilities not being clear. The Audit team were thanked for their input and the committee were given assurance that all actions are already in progress or discussions are taking place to ensure these are progressed by the target date.

A committee member advised that although the audit findings were surprising it was assuring to see the issues are now being addressed. It was questioned whether processes could be made automated to reduce the risk of manual interventions. The Assistant Director of Finance responded that it is part of the manual authorised signatory process and there is now a further measure in place whereby orders are put through a purchase control panel who will identify any invoices without a purchase order (PO). Some orders do not use PECOS such as Pharmacy who have a separate ordering system. It is anticipated that the control panel will seek to tighten up controls within the process and will provide some awareness to departments to ensure that PO's are raised appropriately. Work is

also ongoing to get suppliers on boarded to the e-Invoicing system, this work is taking place with other boards.

Concerns were raised with regard to retrospective PO's. It was confirmed that a review has been requested within Accounts Payable regarding this as there have been previous issues highlighted with scanning documents and the wrong date being picked up. Future controls will be tightened up around this.

A committee member felt there was cultural issues regarding the report and policies were not being adhered to. It was agreed there would be a benefit in putting enhanced controls in place for a period until it can be evidenced that policies are being followed.

The External Auditor expressed concern regarding the validity of the expenditure within the year end accounts. The Internal Auditor advised that the team would be happy to work with Audit Scotland if necessary to support the year-end work, noting that the sample testing on the audit did not identify any specific issues relating to the regularity of expenditure.

The Chair advised that an update would not be required due to the short term nature of actions unless any specific delays/ issues were identified. Completion of actions would be picked up as part of the internal audit follow up report.

Outcome: *The committee received the report*

5.3 Internal Audit Plan 2026/27

The Internal Auditor shared the draft three year internal audit plan with members and noted that this is the final year of the current plan and although a one year extension had been granted it was thought that provision of a three year plan is more beneficial. A meeting has taken place with CMT to discuss key areas for consideration. It was highlighted that the plan is not for approval at this stage but for feedback by the committee, the final draft will be presented for approval at the March meeting.

Suggestions for consideration were made:-

- Should Staff Performance Management audit be completed sooner than planned as there is a push centrally to focus on setting smart, tangible objectives for Executive. An audit has been completed this year covering this area but it may be that the next audit is completed earlier than 2028/29.
- In light of outcome of Non Pay Expenditure audit recently completed it may be appropriate to cover Payroll controls before 2028/29.
- Potential further audit on financial sustainability although it was noted that the CRES audit due on Q4 2025/26 will cover this area to some extent.
- Could Public Protection and Whistleblowing be delayed to prioritise other audits
- Should SAER audit be earlier than planned

The process was discussed and it was confirmed that the comments would be included and discussed with the Chief Executive and Director of Finance before being presented to CMT. The plan would then be presented to the Integrated

Governance Committee before coming back to ARC for approval prior to the Board.

Outcome: *The committee received the report*

5.4 SFI's and Scheme of Delegation

The Assistant Director of Finance presented a paper with suggested changes to the SFI's and Scheme of Delegation which relates to actions within the Non-Pay Expenditure audit regarding the review of financial limits and the scheme of delegation. The Code of Corporate Governance will be presented at the next committee and sets out how to manage procurement ordering and authorisation. The proposal is if there is less than three quotes then there requires to be a clear record that an attempt was made to get three quotes. It is often the case that only one quote is returned. The second proposal is around consistency regarding inclusivity of VAT.

Once the paper has been approved it is intended to produce an easy to read summary which will be shared with the wider staffing group and will advise what is expected of those with financial authority. The authorisation limits have been reviewed to ensure these are fit for purpose and a change has been proposed to the threshold for signatories with an annual review by Directors as an additional level of assurance.

No changes are being proposed to the contract for PFI and capital payments and additional wording is being included for HSCP governance arrangements. All health staff working in HSCPs should be following the SFI's.

A Purchase Control Panel has been introduced to review discretionary spend and non-PO invoices. It is hoped this will be a short term measure.

The committee noted the content within the paper which will be included as part of the Code of Corporate Governance.

Outcome: *The committee received the report*

6. **Governance and Risk**

6.1 Annual External Audit Report Recommendations – Progress Update

The Assistant Director of Finance shared the progress update on the Annual External Audit Report Recommendations and advised that a lessons learned document has been shared with members previously to see what could be done better in terms of annual accounts preparation.

Meetings have taken place with colleagues who will be responsible for producing the performance report of the annual accounts and a teams channel has been set up to allow for collaboration of work. There will also be a meeting with Audit Scotland to see what improvements can be made to the performance report. A high level timetable has been produced and the final draft of the external audit plan will come to the March committee. The committee agreed the progress of this work was positive in terms of engagement and detail.

The External Auditor welcomed the review of progress at the meeting and assured the committee that the team were involved in regular discussions with key staff members. It was highlighted that better quality accounts are required and these should be thoroughly proof-read and free of errors. It was confirmed that there will be more staff involved to ensure this process is smoother in the future.

A committee member stressed the need to ensure that detailed plans were in place behind the high level timetable and the need to deliver to the dates agreed as we do not wish to be in the same position as last year..

It was felt that whilst Appendix One generally showed good progress with the External Audit recommendations from 2024/25, more detail was required in relation to the action covering the need to work with and seek support from Scottish Government as whilst committee is aware of numerous activities a collated picture is not readily available. Chair agreed to discuss this further with a view to receiving an appropriate update at next meeting.

ACTION – Jean Ford

It was suggested that the high level timeline in Appendix 3 be expanded to show activity start and end dates so that progress can be readily tracked and that actions two and four from the lessons learned paper should be included in the timeline as activities.

ACTION – Amanda Dowse

Outcome: *The committee received the report*

7. Fraud

7.1 Counter Fraud Update Report including strategy, statement and self-assessment

The Financial Controller presented the Counter Fraud Update report and advised that work has been ongoing for the past few years on the introduction of the Counter Fraud Standards. The self-assessment has fully met five of the standards and has newly delivered on a sixth. It is anticipated a further standard will be delivered by the end of March 2026 following completion of a staff survey.

Local work has taken place on Fraud Prevention Week Awareness whereby there were stalls set up at various sites and a banner on the staff daily digest. The positive feedback from this was reassuring.

Thanks were given for efforts made in Fraud Awareness Week.

Outcome: *The committee received the report*

7.2 Operation Belford Final Report

The Director of Pharmacy presented the Operation Belford report and advised members that this was produced due to issues with community pharmacies sourcing high cost cancer medication outwith authorised suppliers. There is a scheme in place whereby rebates are paid to Boards based on volume. Counter

Fraud Services have investigated some discrepancies of what has been bought from the authorised supplier versus what was being claimed by Boards based on total volume. An SLA is in place regarding this along with the consequence of not buying from the approved supplier. It has been found that some pharmacies purchased the drug via a cheaper route which has resulted in a missed rebate of around £500k since 2022.

It was confirmed that letters have been sent to all community pharmacies to reinforce the messages regarding the rebate lost and the service cost to dispense the medication. It has been noticed over the past few months that some pharmacies have pulled out of the scheme and from 1 April 2026 supplies will be moved in house and be delivered via Home Care to ensure a tighter grip on the process.

Advice will be taken from the Litigation department with regard to claiming back the rebates.

Questions were raised as to the method being taken now and it is thought that this will be the most effective and safest route and will affect in the region of 120 patients.

The Director of Finance advised members that this will be recorded as a loss within the annual accounts.

Outcome: *The committee received the report*

8. Any other competent business

8.1 ARC Terms of Reference

The Terms of Reference were shared with members for annual review. A proposed change was made relating to ex officio membership to reflect that Medical, Nurse and Pharmacy Directors may attend rather than will as attendance does not seem necessary all the time. Members agreed with proposal but get it was important that the Risk Executive attend. Chair will discuss further with Board Chair before the change is made.

A question was raised with regard to pre-meets and whether these will be re-instated. It was confirmed there was a minimum requirement of one per year however two may be re-introduced per annum.

ACTION – Jean Ford

Outcome: *The committee agreed the Terms of Reference for submission to the NHS Board following amendment*

9. Key issues to report to the NHS Board

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

- Delayed Discharges
- NHS in Scotland

- Internal Audit Progress Report
- Internal Audit Report – Core Financial Controls – Non-pay Expenditure
- Internal Audit Plan
- External Audit Recommendations
- Counter Fraud Update Report

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

It was agreed that the Internal Audit into Non-pay Expenditure should be considered as an operational risk.

11. Date of next meeting

Thursday 19th March at 9.30am via Microsoft Teams

Approved by Chair of the Committee:

..... Date: