



Minutes of NHS Ayrshire and Arran Audit & Risk Committee Meeting

held on Tuesday 23rd June 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) Rachael Weir, Internal Auditor, Azets Louisa Yule, External Auditor, Audit Scotland Aimee MacDonald, External Auditor, Audit Scotland Kirstin Sharp, External Auditor, Audit Scotland Debbie McCard, Risk Manager (Items 4.5 – 4.6) Shona McCulloch, Head of Corporate Governance 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 and David Eardley.

1.2 Declarations of interests

The Chair declared a connection to items 4.1 – 4.4 due to being a Non Executive Director of PSD Scotland. It was deemed that leaving the meeting would not be necessary.

2. Minutes of Meeting held on 19 May 2026

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

3. Matters Arising

3.1 Action Log

There are currently 13 open items, seven of these are noted as complete and one is not yet due. The remaining 5 actions were discussed as below.

Items 5.5 (x2) from 19/6/2025 and 6.4 from 20/11/2025 relating to Strategic Risk Register should be addressed within the risks presented to meeting today. It was agreed that some reflection would be taken post the meeting and if appropriate the actions recommended for closure at next meeting.

Item 4.6 19/5/2026 - An update has been made to the wording of the annual internal audit report which will be taken to the board. It was agreed this would be shared with members for information.

ACTION – Amanda Dowse

Item 5.1 19/5/2026 - The National Finance System report has been circulated and endorsed by members. The action can now be closed.

3.2 Committee Workplan 2026/27

The committee workplan was shared with members. Any changes to the workplan were noted in red for ease of reference.

4. Governance and Risk

4.1 National IT Services

The Director of Finance presented the National IT Services report which gave a qualified opinion and noted that the statement of assurance included four exceptions which would require further reporting. One of the key exceptions related to the timely provision and management of system access controls, which was similar to a recommendation arising from the recent financial systems audit.

Members sought assurance that appropriate actions were in place to address all identified exceptions and discussion took place on whether further assurance should be sought through the PSD process or whether progress could be reviewed through the next audit cycle. The view was that good governance would require proactive follow-up rather than waiting for the next audit cycle. The Director of Finance agreed to take this forward and provide a progress update in approximately 6 months.

ACTION – David Stonehouse

Outcome: *The committee received the report*

4.2 NSS Practitioner Services

The Director of Finance presented the NSS Practitioner Services audit and highlighted that this is a review of Primary Care Contractors. No issues were

reported and an unmodified opinion was issued. All issues identified in last year's audit have now been addressed.

Outcome: *The committee received the report*

4.3 Payment Verification Annual Report

The Director of Finance presented the Payment Verification Annual report to give assurance that that post payment verification for primary care contractors is being managed appropriately. The report provided good assurance in terms of fraud risk.

Outcome: *The committee received the report*

4.4 Patient Exemption Checking Annual Report 2025-26

The committee received the annual report on patient exemption checking and considered the findings to be reasonable overall.

It was noted that while a significant number of cases resulted in no recovery, the report identified approximately £185k of recoveries through pharmacy exemption checks. It was queried whether analysis of trends could identify opportunities to improve the process and reduce the need for retrospective recoveries.

The Chair asked whether there was more that could be done at the front end of the process to prevent incorrect claims and reduce the requirement for subsequent recovery actions. It was noted that if recoveries remain at a consistent level year on year, there may be an opportunity for earlier intervention and improved controls. It was agreed that the trends would be reviewed and consideration would be given to whether preventative measures could be strengthened at the point of claim. Any improvement opportunities will be reported to a future committee.

ACTION – David Stonehouse

Discussion also highlighted the high volume of write-offs compared with the relatively low value involved in individual cases. Members acknowledged that statutory recovery processes must be followed, but questioned whether the administrative effort is always cost-effective in low-value cases.

Outcome: *The committee received the report*

4.5 Strategic Risk Register

The Risk Manager presented the Strategic Risk Register following the first round of the committee cycle within the year. It was highlighted that RARSAG agreed risks 668 and 669 for termination to be replaced with risk 961 – Caring for Ayrshire. 15 risks were reviewed within cycle, 14 have been updated whilst one risk in relation to Promoting Attendance remains outstanding. In relation to movement and scoring of risks, one risk, risk 821 – failure of digital services, decreased in score due to targeted efforts from the CGI report, forthcoming delivery planning and a review of roles to support this risk.

Work to update risks has progressed well with workshops being completed and the new paperwork circulated to all areas. Progress is on track for all risks to be updated at the RARSAG meeting in July 2026. The revised format of the report will be presented at the public Board meeting in August to provide assurance that strategic risks are being managed in line with the risk management framework.

A question was raised as to why Risk 921 – ventilation unit, has been added as a strategic risk. It was responded that this particular risk was not discussed at RARSAG however when the risk was developed there were various discussions regarding where it should sit and the risk was refined due to the most significant impact being within Oncology services. As part of the review work which has taken place all risk owners have been asked to ensure that the risks are confirmed to be strategic if they sit on this register. It was highlighted that there is a potential reputational risk regarding this due to the specific cohort of patients, which is why it has been added as a strategic risk.

The Risk Manager was thanked for the work that has taken place with each Director to get appropriate mitigations in place and assurance that risks are appropriate.

It was agreed that as part of the review the risks required to be refined and the top risks highlighted with targeted descriptions and ratings. It was also agreed that risk domains need to be included for all risks. It was also highlighted that most of the additional controls are at due date so may need moved to being key controls as opposed to additional actions.

A query was raised with regard to Risk 432 and whether the rating should have increased due to the recent Health and Safety Audit which took place in March and was red rated. The Chief Executive advised that all red risks within the audit were dealt with immediately and the Internal Auditor confirmed that a red audit report would not automatically become a red risk as the audit is more about the process however all reports have commentary regarding the impact on the risk register.

Chair noted that this highlights the triangulation that would be expected in some cases and the audit recommendations would actually become an additional control/ action against the risk highlighting that completion will strengthen risk mitigation.

Outcome: *The committee received the report*

4.6 Risk Management Strategy 2026-29

The Risk Manager presented the revised Risk Management Strategy 2026-29 for endorsement prior to submitting to the Board for approval. This follows an interim review in January 2025 whereby recommendations from a recent internal audit were addressed. The Strategy sets out the priorities for risk management over a three year period and has received input from key stakeholders. The strategy was agreed by RARSAG in May 2026.

It was highlighted that the strategy includes clear objectives of what will be delivered and aligns with best practice guidance frameworks, work has taken place to strengthen this process. From a governance perspective there is clearer

oversight and structure and notes that risks will be presented to ARC and the Board on a quarterly basis as opposed to bi-annually. The role of the team has been refined as well as the supporting tools and guidance information.

The committee endorsed the strategy for submission to the board but requested that consideration be given to a summary of very high operational risks being presented to ARC twice yearly for visibility purposes only. It was agreed this would be considered. Updates on progress with Strategy Implementation Plan will also be scheduled annually.

ACTION – Debbie McCard

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

5. Internal Assurance

5.1 Governance Statement and Supporting Letter

The Chief Executive presented the governance and supporting letters for assurance from Directors. Each letter has highlighted delayed discharge and the occupied bed base and actions are being taken to move this forward. A modification has been noted within this years statement to incorporate the Section 22 report and Scottish Government Performance escalation to level 4. Sub national planning has also been included within this years statement.

It was noted that a slight amendment is required for the North Ayrshire HSCP letter which contains an error. It was agreed this would be followed up.

ACTION – Gordon James

Members agreed that the statement and letters show good governance and shows the enormity of the issues being dealt with.

Outcome: *The committee received the letter and statement*

6. Statutory Annual Accounts

6.1 Annual Accounts for NHS Ayrshire and Arran – 2025-26

The Interim Director of Finance presented the annual accounts for 2025-26 and thanked Amanda Dowse and the team for the significant effort in preparing the annual report and accounts for the year.

The report highlights key movements between the current and previous financial year and members were reminded that the board have reported a deficit of £24.3m against a £25m control total.

Key financial movements were highlighted including the 4.2% national pay award which was a significant driver of increased pay expenditure as well as this was the impact of national insurance costs and the provisions and accounting estimates relating to the reduced working week initiative.

A minor amendment relating to Tim Eltringham (retired) was noted on page 80 of the report.

The Chair queried the section on losses and special payments noting that this information is typically only presented to committee at year end and whether this should be reported more regularly. The Interim Director of Finance responded that consideration will be given to this to provide greater assurance and oversight. It was clarified that the majority of the write-off is related to an exceptional item and the Assistant Director of Finance added that a provision had previously been established whilst discussion took place regarding responsibility of the costs. It is not anticipated that similar write-offs will be expected in future years. It was agreed that a six monthly reporting arrangement for losses, special payments and significant write-offs should be established.

ACTION – Amanda Dowse

It was highlighted that finance and performance issues remain subject to ongoing monitoring by the Performance Governance Committee and through External Audit tracking processes.

The report was endorsed for submission to the board.

Outcome: *The committee endorsed the accounts for submission to the NHS Board for approval*

7. External Audit

7.1 ISA 580 Audit Completion Letter

The External Auditor presented the annual report together with the Letter of Representation and drew members attention to paragraph 11 of the report noting that a small number of matters remained to be concluded before the audit could be formally finalised and the Independent Auditors report signed.

Subject to satisfactory completion of these outstanding items, the auditors anticipated issuing an unmodified audit opinion confirming that the financial statements present a true and fair view of the Board's financial position and that the accounts have been properly prepared in accordance with the relevant financial reporting and statutory requirements.

The External Auditor explained that the letter of representation forms part of the normal year-end processes and members were advised that the extensive audit work and evidence gathered throughout the audit provides assurance over the figures and disclosures contained within the accounts.

It was confirmed that the Letter of Representation does not provide any additional assurances beyond those already obtained through the audit process, but formally documents management's representations in support of the audit conclusions.

Outcome: *The committee received the letter*

7.2 Annual Audit Report

The External Auditor reported that the audit had been a positive outcome overall, albeit the audit process was challenging and required additional audit resources. A number of improvements had been noted on previous years included improvements in financial processes and the provision of information within agreed timescales. Recognition was given to the Assistant Director of Finance and the team for their work in producing the annual report and accounts.

Several areas for improvement were highlighted such as the significant proportion of the audit burden being carried by the Assistant Director of Finance with limited management oversight, review and challenge. There were some delays experienced in the submission of working papers and responses to audit queries were sometimes delayed by wider members of the finance team or submitted without a complete audit trail. There were also instances whereby senior officers were unavailable to review and verify information before submission to the auditors.

Reference was also made to resourcing and capability within the finance team and the External Auditor recommended that the Board review the roles and responsibilities within the finance team and consider strengthening quality control and management review arrangements to improve resilience and oversight.

The auditor acknowledged that the Board had delivered all of its key financial targets during the year and had operated within the required financial framework, whilst continuing to address significant financial challenges.

The report also highlighted positive developments in governance, including the establishment of a Best Value Steering Group, which was reflected within the Section 22 Report. Members noted that the Board remains escalated to Level 4 and continues to face significant long-term financial sustainability challenges. The three-year financial plan continues to forecast recurring deficits even after the delivery of planned savings programmes.

The auditor recognised that the organisation had experienced significant leadership changes during the year but noted that progress had continued in addressing previous audit recommendations.

Members' attention was drawn to Appendix 1, which tracked implementation of prior audit recommendations. Good progress had been made, with five recommendations completed, one superseded, and the remaining recommendations still subject to ongoing action and monitoring.

Whilst acknowledging the progress made, Members expressed disappointment that there were still some fundamental issues in the delivery of the necessary materials and responses in a timely manner..

The Interim Director of Finance responded to the point of capacity within the finance department and highlighted that this a small team however recognised

that improvements could be made going forward with agreed timescales. It was also highlighted that not all points were in relation to the finance function and related to the wider organisation. The Chief Executive confirmed that cognisance would be given to this moving forward.

The Assistant Director of Finance agreed that there was an improvement on last year's audit and having agreed timescales and a small working group in place has helped this. For future audits it would be helpful to have more responsible owners and the External Auditor has agreed to provide a session on the preparation of working papers to explain the expectations.

A change was noted within recommendation 4 with regard to the delivery date which should be amended to July 2026.

The Chair thanked Audit Scotland, Azets and the Finance and Performance team for their work in producing the report.

Progress with recommendations will be closely monitored as the year progresses.

Outcome: *The committee received the report*

8. Assurance to Board

- 8.1 Annual Audit Assurance Statement to the Ayrshire and Arran Board
The Annual Audit Assurance Statement was presented and it was highlighted that this a standard statement which is produced each year. One key highlight was the role of Internal Audit and the audit opinion which has been included within the report.

The committee endorsed the statement.

Outcome: *The committee endorsed the statement for submission to the NHS Board*

9. Any other competent business

None noted.

10. Key issues to report to the NHS Board

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

- Audits from NSS
- Risk register and strategy
- Annual accounts and associated documentation

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

Nothing to note

12. Date of next meeting

Tuesday 22nd September 2026 at 9.30am via Microsoft Teams

Approved by Chair of the Committee:

..... Date: