Minute Audit and Risk Committee
Thursday 25 June 2026

Attendance

Damian Reid (Interim Director of Finance), Suzanne Gray (Senior Financial Accountant), Issy Grieve (Non-Executive Board Member), Rachel King (Azets), Dr Anna Lamont (Medical Director), Ryan McLaughlin (Non-Executive Board Member/Employee Director), Jason Taylor (Non-Executive Board Member – Chair), Debs Crohn (Head of Corporate Governance), James Goodyear (Interim Chief Executive), Rona Gold (Non-Executive Board Member), Taimoor Alam (KPMG)

Guests: Joanna Kenny (Non-Executive Board Member), Fiona MacKay (Non-Executive Board Member), Sam Thomas (Director of Nursing, Midwifery, AHPs and Acute, Louise Wilson (Director of Public Health)

1. Cover page (Presenter: Chair)

To support the Board in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

2. Apologies (Presenter: Chair)

The Chair opened the meeting at 09.30 and welcomed members to the meeting. Apologies were received from Stephen Brown (Chief Officer) and Tammy Sharp (Director of Performance, Transformation and Deputy CEO).

The meeting was quorate in accordance with the Board's Code of Corporate Governance.

3. Declaration of Interest (Presenter: Chair)

There were no declarations of interest raised.

4. Minutes of meeting held 26 May 2026 (Presenter: Chair)

The Chair presented the minutes of Audit and Risk Committee meeting held on 26 May 2026.

Decision / Conclusion

The minutes of the Audit and Risk Committee were approved as an accurate record of the meeting.

4.1 Chairs Assurance Report from meeting on 3 March 2026 (Presenter: Chair)

The Chair presented the Chair's Assurance report from the meeting held on 26 May 2026.

Decision / Conclusion

The committee took assurance on the report.

5. ACTION LOG (Presenter: Chair)

The action log was reviewed, and corrective action agreed on outstanding issues (see action log for details).

6. PERFORMANCE

6.1 Approval of Orkney Health Board Endowment Fund Annual Accounts 2025/26 - Deferred

The item was deferred to September 2026 to align with the Audit timeline.

6.2 Representation Letter

The Chief Executive advised that the representation letter attested to the accuracy of the financial statements that NHS Orkney had submitted to the External Auditors.

Decision / Conclusion

The Audit and Risk Committee approved the signing of the representation letter by the Chief Executive as accountable officer.

6.3 NHS Orkney Annual Report and Accounts for year ended 31 March 2024 / External Audit Report

NHS Orkney Annual Report and Accounts for year ended 31 March 2024

The Interim Director of Finance presented the Board's Annual Report and Accounts for year ended 31 March 2026 for a decision. The deadline for submission of Annual Report and Accounts to Scottish Government was 30 June 2026.

Members were reminded that the Annual Report and Accounts would be made public once they had been laid before Parliament in September 2026.

The Board reported a financial overspend of £2.6m in 2025/26, whilst this position was an improvement relative to the £3.1m deficit forecast in the financial plan for 2025/26, the outturn position was £0.5m favourable movement against the financial plan. The balance of repayable brokerage as of 31 March 2026 remained at £9.02 million.

Total savings of £2,088 million were delivered, of which £1.554 million were recurring.

The Orkney Health Board Endowment Fund accounts were consolidated within the annual accounts. NHS Orkney had 50% share of funds held in reserve by the IJB as a joint venture. This was reflected in the Consolidated Statement of Financial position of £2.123 million.

Members were advised that the external audit opinion on the annual accounts was unmodified. The financial statements gave a true and fair view, expenditure and income were regular and in accordance with guidance and that the audited parts of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements.

The Interim Director of Finance and the Chief Executive gave thanks to the Finance Team and KPMG for their hard work and close working relationships in producing the annual accounts.

I Grieve recognised the hard work and contribution throughout the organisation which enabled NHS Orkney to complete the year within the financial envelope designated by the Scottish Government.

Decision / Conclusion

Members received and recommended approval of the Annual Report and Annual Accounts for Year-ended 31 March 2026 to the Board.

External Audit Report

T Alam (External Auditor) presented the draft Annual Audit Report 2025/26 to Committee prior to signing off and confirmed that the Board would be notified by Audit Scotland once the report was signed by the Board.

T Alam advised that he would be providing an unqualified opinion that the accounts were a true and fair view of the financial position and performance. He confirmed the status of the audit was complete and the materiality was unchanged from the audit plan. He reported there was no significant risk to valuation of buildings.

Members were provided with a summary of the findings in relation to the significant risks and other audit focus areas identified in the audit plan. There had been no change to the assessment of the risk levels.

The audit recommendations were discussed, particularly the ongoing challenge of financial sustainability, the need for improved asset impairment processes, and the Board's plan to address the issues in the coming year. T Alam highlighted a grade one recommendation regarding financial sustainability, noting that whilst the Board had remained within its financial envelope, there continued to be significant challenges in achieving planned and unidentified savings due to ongoing pressures, a theme common across the public sector.

The Interim Director of Finance acknowledged the need to improve the process for impairing assets and confirmed that steps had already been taken to integrate this into the fixed asset process, including flagging responsibilities to leads for equipment maintenance and developing an effective replacement schedule.

The Chair reminded attendees that the audit recommendations were tracked by the Audit and Risk Committee, providing ongoing assurance to the Board and ensuring that areas such as financial sustainability and asset management were addressed.

Decision / Conclusion

Members welcomed confirmation of an unqualified audit opinion by external auditors and approved the External Audit Report.

6.4 Significant Issues that are considered to be of wider interest – Letter to the Scottish Government – Health Finance Division

The Chair noted that there were no amendments required from the previous draft and that there were no significant issues to be raised.

Decision / Conclusion

The Audit and Risk Committee approved the signing of the letter by the Chair and submission as required.

7. NHS National Services Scotland Service Audit Reports

The Interim Director of Finance presented the report summarising the qualified audit opinion, highlighting the management responses in answer.

Decision / Conclusion

The Audit and Risk Committee received the audit report and took assurance from the opinion and management response.

8. ANY OTHER COMPETENT BUSINESS (Presenter: Chair)

9. ITEMS FOR INFORMATION AND NOTING ONLY (Presenter: Chair)

9.1 Record of Attendance 2026/27

Decision / Conclusion
The Committee noted the Record of Attendance 2026/27

9.2 Reporting timetable 2026/27

Decision / Conclusion

The Committee noted the Reporting timetable 2026/27