

Audit and Risk Committee (Annual Accounts) Minutes

26 June 2025

Attendance

Hazel Aim (Senior Corporate Governance Officer), Melanie Barnes (Interim Director of Finance), Debs Crohn (Head of Improvement), Suzanne Gray (Senior Financial Accountant), Anna Lamont (Medical Director), Laura Skaife-Knight (Chief Executive Officer - CEO), Keren Somerville (Head of Finance), Jean Stevenson (Non-Executive Director), Jason Taylor (Chair, Non-Executive Director), Davie Campbell (Non-Executive Director), Rona Gold (Non-Executive Director), Issy Grieve (Non-Executive Director), Joanna Kenny (Non-Executive Director), Jarrard O'Brien (Director of People and Culture).

Guests

Taimoor Alam (External Audit, KPMG), David Eardley (Azets), Kirsty Cole (Non-Executive Director), Rashpal Khangura (External Audit, KPMG), Meghan McEwen (Board Chair), Sam Thomas (Executive Director of Nursing, Midwifery, Allied Health Professionals and Chief Officer Acute Services (EDoNMAHP))

1. Cover Page

The purpose of the Audit and Risk Committee is to support the Board in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

The Committee will be quorate when there are three members present, one of whom must be the chair or vice-chair.

2. Apologies (Presenter: Chair)

The Chair opened the meeting at 9.30 am and welcomed members to the meeting.

Apologies received from Kat Jenkin (Head of Patient Safety, Quality and Risk), Stephen Brown (Chief Officer Integration Joint Board), Tammy Sharpe (Director Performance, Transformation Deputy CEO) and Ryan McLaughlin (Employee Director, Non-executive Director).

Due to apologies being received from the Employee Director, and to ensure quoracy of the Committee, D Campbell deputised for the Employee Director.

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. Minute of meeting held on 27 May 2025 (Presenters: Chair)

The Chair presented the minutes of the meeting held on 27 May 2025.

Decision/conclusion

The minutes of the Audit and Risk Committee meeting held on 27 May 2025 were approved as an accurate record of the meeting.

4.1. Chairs Assurance Report from meeting on 27 May 2025 (Presenter: Chair)

The Chair presented the Chairs Assurance Report from the meeting held on 27 May 2025.

Decision/conclusion

The Chair's Assurance report of the Audit and Risk Committee held on 27 May 2025 was approved as an accurate record of the meeting.

5. PERFORMANCE - ANNUAL ACCOUNTS NOT FOR PUBLICATION UNTIL LAID BEFORE PARLIAMENT**5.1. Approval of Orkney Health Board Endowment Fund Annual Accounts 2024/25 (Presenter: Head of Finance)**

The Head of Finance presented the annual audited Endowment Fund accounts which had been approved by Endowment Trustees' meeting on 5 June for awareness. Key points to note.

- net assets of £0.98m at year end compared with £1.05M at end of March 2024.
- decrease of £70k is due to a deficit in charitable activities of £49K and a net loss in investments of £21K.
- income was in line with the previous year, reported expenditure was £7k up from the previous year.

Decision/conclusion

Members noted the Endowment Fund accounts for the year ended 31 March 2025 which had been approved by Endowment Fund Trustees at its meeting on 5 June 2025.

5.2. NHS Orkney Annual Report and Accounts for year ended 31 March 2025 (Presenter: Interim Director of Finance)

The Interim Director of Finance presented the Board's Annual Report and Accounts for year ended 31 March 2025 for a decision. The deadline for submission of Annual Report and Accounts to Scottish Government is 30th June 2025.

Members were reminded that the Annual Report and Accounts will be made public once they are laid before Parliament in September 2025.

The performance report showed a deficit of £3.874M which was an improved position from financial plan. £4.1M savings were delivered, of which £2.9m were recurring. Funding from Scottish Government increased by £11M during 2024/25, primarily due to £3m on annual uplift, £5m on pay related allocations and £1 of financial recovery funding. Payment policy days of credit have been reduced to 18 days, which is a good achievement based on data from across Scotland.

Orkney Health Board Endowment Fund accounts are consolidated within the annual accounts. The Integrated Joint Board deficit of £0.6M was primarily due to increases in pay that were awarded last year.

Accountability report confirmed the action plan against the Blueprint for good governance was completed. It also confirmed no special payments were made by the Board, in line with last year. Losses increased to £6k due to write off's of invoices raised for overseas and out-of-area patients after exhausting ways to recover money.

K Cole asked for confirmation of why the Director of People and Culture is not noted as a Board member. The Board Chair advised that this role is not an Executive appointment by the Cabinet Secretary and therefore is an advisor to the Board.

CEO confirmed that whistleblowing is reported through the Staff Governance Committee and that where there was relevance to safety and quality this would be reported to the Joint Clinical and Care Governance Committee.

I Grieve referred to the £6k loss from overseas patient debt and enquired whether going forward, a request should be made by the Health Board for part of the income from the tourism tax. The Interim Director of Finance agreed it would be useful to have a conversation.

EDoNMAHP is collaborating with finance colleagues regarding island visitors, scoping out additional processes in order that losses are not sustained.

Board Chair asked if names of Directors are redacted in other boards' (endowment) reports, noting that Orkney is a small community and there may need to be a discussion as to what it means and how it would affect individuals. The Interim Director of Finance confirmed there was time to explore this as accounts will not be made public until October 2025 but confirmed submission to Scottish Government cannot include redactions. D Campbell also confirmed submissions to OSCR could not be redacted as this is a legal requirement.

Interim Director of Finance explained notes referring to the financial statement.

Referring to note 4 regarding an increase of £1.8m of operating income, Interim Director of Finance advised that this was in relation to the Integration Joint Board. The Board Chair asked for confirmation of what was commissioned. Interim Director of Finance confirmed that this was in relation to paying for uplifts and commissioned services.

Referring to note 7 regarding the valuation of property, D Campbell advised there was a requirement to revalue property every 5 years and asked what processes were in place to ensure this didn't lapse. Interim Director of Finance reassured committee there were robust processes in place to ensure this didn't happen.

Referring to note 8 regarding stock, Board Chair enquired re progress in stock reduction and specifically to drugs. EDoNMAHP confirmed that work has been undertaken with procurement, transport issues meant that some stock could not be reduced but work was ongoing to ensure stock on site was kept to a minimum. Medical Director noted that pharmacy have recorded a significant saving in stock this financial year.

Referring to note 14 regarding contingent liability, the Board Chair asked if the accounting treatment of the value of re-banding of nurses' pay from band 5 to 6 was consistent across Scotland. Interim Director of Finance confirmed that it was and that the amount was unknown at this time.

Referring to note 15 regarding events after the reporting period, Interim Director of Finance confirmed there were no capital commitments or leases, but changes noted from last year are the addition of the labs contract.

J. Taylor thanked the Interim Director of Finance for the thorough presentation.

Board Chair commented on the marvelous achievement and thanked the Interim Director of Finance and the Finance Team as the annual Governance Statement shows good internal controls are in place with clear evidence of our continuous improvement journey and strengthened approach to grip, control, risk management and assurance.

The CEO thanked the finance team for their fantastic teamwork, good process, co-ordination, and documentation journey of improvement in the development of the Annual Report and Annual Accounts. The Head of Improvement is working with our communications team to provide a summary of the report for the public; this will be available once the report has been laid before parliament in September 2025.

Decision/conclusion

Members received and recommended approval of the Annual Report and Annual Accounts for Year-ended 31 March 2025 to the Board.

5.3. Annual Audit Report from External Auditor 2024/25 (Presenters: External Auditor)

R Khangura (External Auditor) presented the draft Annual Audit Report 2024/25 to Committee prior to signing off.

R Khangura explained the purpose of the report and confirmed that the Board would be notified by Audit Scotland once the report is signed by the Board.

R Khangura advised that he would be providing an unqualified opinion that the accounts are 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.

R Khangura presented findings on 4 key areas: financial management, sustainability, vision leadership governance and useful resources to improve outcomes.

R Khangura stressed that there are still concerns regarding the Board's financial sustainability, recognising that meeting targets remains a challenge.

Considerable progress has been made this financial year, particularly in relation to embedding processes which are beginning to show outcomes. Management is asked to consider incorporating completeness checks.

Members noted that there are no new recommendations, and no adjusted audit differences.

R Khangura thanked the Finance team for their support throughout the audit process.

T Alam (External Auditor) presented external audit findings in relation to fraud risk and advised that the target position has been met. There were no unidentified/unrecognised expenditure or liabilities, with sufficient management processes in place to address risk - no recommendations were issued.

Having identified the Valuation of land and buildings as a significant risk in the audit plan, following appraisal of the revaluation undertaken, the risk level had been reduced.

Consolidation schedules were consistent with no reportable finding and confirmation was given that progress is being made regarding the National Fraud Initiative.

The Chair noted the change in dynamics and improved relationships with external audit as this is all part of our journey of improvement. Recognition was given to the significant improvements made and are being embedded within our governance arrangements.

Decision/conclusion

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

5.4. Draft Representation Letter (Presenter: Chief Executive)

The CEO presented the draft representation letter to Committee. Committee considered the draft representation letter noting the corrections required prior to signing off.

Decision/conclusion

Members authorised the Chief Executive to sign the representation letter as Accountable Officer for the Board.

5.5. National Services Scotland (NSS) Audit Reports (Presenters: Interim Director of Finance)

Interim Director of Finance presented the National Services Scotland Audit Reports for 2024/25 for awareness.

Decision/conclusion

Assurance was taken from the National Services Scotland (NSS) Payments to Primary Care Contractors (Practitioner and Counter Fraud Services) and National IT services Audit Reports 2024/25.

6. Items to be included on the Chairs Assurance Report (Presenter: Chair)

Members agreed that the following items would be included in the Chairs Assurance Report

Positive assurance

- Excellent teamwork by the Finance and Corporate Governance team in the production of the Annual Report and Annual Accounts
- Positive relationship improvements and flow of information during the annual accounts process demonstrating commitment to displaying our values of openness.
- Annual governance statement shows clear evidence of continuous improvement
- No unadjusted un-audit differences identified by external auditors.
- Positive assurance from the external audit report
- Assurance taken from the National Services Scotland (NSS) Payments to Primary Care Contractors (Practitioner and Counter Fraud Services) and National IT services Audit Reports 2024/25
- Orkney Health Board Endowment Fund Annual Accounts 2024/25 received.

Decisions made.

- Draft NHS Orkney Annual Report and Accounts for year ended 31 March 2025 reviewed with a recommendation to the Board for approval.
- Authorised Chief Executive to sign representation letter as Accountable Officer for the Board.

7. Any Other Competent Business (Presenter: Chair)

No other competent business was raised.

8. ITEMS FOR INFORMATION OR NOTING (Presenter: Chair)

There were no items for information or noting

The Chair closed the meeting at 10.40am.