Minute Audit and Risk Committee
Tuesday 3 March 2026

Attendance

Hazel Aim (Senior Corporate Governance Officer), Melanie Barnes (Interim Director of Finance), Suzanne Gray (Senior Financial Accountant), Issy Grieve (Non-Executive Board Member), Kat Jenkin (Head of Patient Safety, Quality and Risk), Dr Anna Lamont (Medical Director), Ryan McLaughlin (Non-Executive Board Member/Employee Director), Tammy Sharp (Director of Performance, Transformation and Deputy CEO), Jason Taylor (Non-Executive Board Member – Chair), Debs Crohn (Head of Corporate Governance), James Goodyear (Interim Chief Executive)

Guests: David Eardley (Azets) joined at item 12, Iain Gray (Information Governance Manager and Data Protection Officer) joined at item 12, Alam Taimoor (KPMG) joined at item 12.

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 Rashpal Khangura (KPMG) and Rachel King (Azets)

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 2 December 2025 (Presenter: Chair)

The Chair presented the minutes of Audit and Risk Committee meeting held on 2 December 2025.

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 2 December 2025 (Presenter: Chair)

The Chair presented the Chair's Assurance report from the meeting held on 2 December 2025.

Decision / Conclusion
The committee noted 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. Corporate Risk and Assurance Report (Presenter: Medical Director)

The Head of Patient Safety, Quality and Risk presented the Corporate Risk and Assurance Report.

The Head of Patient Safety, Quality and Risk provided a verbal update on the financial sustainability risk advising hat the year-end deficit had improved to £2.6m, representing a £0.6m improvement on our financial plan, noting that this improvement was non-recurring. The Scottish Government has confirmed transitional funding of £2m for 2025/26. As the improvement is non-recurring, the risk score will remain red and is expected to remain a high risk into the next financial year.

The Chair proposed inviting the risk holder (Director of Public Heath) to attend the next meeting to answer questions in respect of Risk 233 (Business Continuity). The Interim Chief Executive advised that current staffing challenges were affecting resilience management, but agreed this should not delay scrutiny of the risk in relation to Business Continuity Plans.

The Head of Patient Safety, Quality and Risk provided an overview of actions and mitigations in respect of risk 2024-07 (Lack of functioning operational and local risk registers), confirming that the Risk Management Group were establishing or refreshing operational risk registers for Children's Maternity, Digital and Public Health Services, and that once established or refreshed, a deep dive review of operational risks will form part of routine risk management processes.

The Medical Director clarified that some items historically added to the Corporate Risk register were now being added to the Operational Risk Registers which will enable them to be closed.

The Medical Director advised that she expected a draft report on operational and local risk registers to be presented to the March 2026 Risk Management Group, with a view to closing the risk.

Decision / Conclusion
Committee noted and took assurance on the management of the Corporate Risk Register, acknowledging the progress on operational and local risk management arrangements.

6.1 Risk Management Group Chairs Assurance Reports (Presenter: Head of Patient Safety, Quality and Risk)

The Head of Patient Safety, Quality and Risk presented the Risk Management Group Chair's Assurance Reports.

The December 2025 meeting discussed the lack of resource for digital transformation, the January 2026 meeting reported on the progress of risk

management guidelines, the establishment of the maternity services operational risk register and the Terms of Reference.

The Medical Director advised that the Risk Management Group has been well attended and feedback from the group is that this is now a safe environment to discuss risk, noting that there are gaps in attendance from some areas. Medical Director confirmed that they will approach individuals regarding their attendance in order to fill the gaps identified.

Decision / Conclusion
The Committee noted and took assurance from the Chair's Assurance Reports from the Risk Management Group.

7. BOARD RISK APPETITE STATEMENT (Presenter: Medical Director)

The Medical Director presented the draft Board Risk Appetite Statement, which was developed following a workshop facilitated by Azets and a subsequent survey of Board members. The draft Board Risk Appetite statement presented was based on the Orange Book (Scottish Government Guidelines) and NHS Highland's approach.

The Medical Director advised that the intention is to produce a single-page statement outlining the level of risk the Board is willing to accept across key domains and to support consistent decision-making and alignment with the Corporate Risk Register.

The Medical Director confirmed that the statement averaged a risk appetite level of 4, reflecting a willingness to pursue change and improvement, with the exception of financial risk appetite, where responses varied significantly.

The Interim CEO raised concerns that the proposed risk appetite statements suggested more tolerance for clinical, workforce and cultural risk than for financial risk. The Chair reinforced this point citing the appetite in relation to financial risk being of significant variance to others

The Medical Director clarified the scoring reflected risk appetite for change and not the level of risk.

Members expressed general concerns over the potential for misunderstanding given the manner the risk appetite statements were presented, and that further clarification and refinement would be useful.

Decision/Conclusion
Committee deferred the decision on approval of the Board Risk Appetite Statement pending a board development session to be arranged with the Board Chair.

8. GOVERNANCE COMMITTEE WORKPLANS 2026/27 (Presenter: Chair)

The Head of Corporate Governance presented the Governanced Commiittee workplans 2026/27 for all governance committee.

The Chair highlighted a difference in layout for the Joint Clinic Care Governance Committee (JCCGC) workplan compared to other committees. The Head of Corporate Governance clarified that this was because it was a joint committee and aligned with the Integration Joint Board. No substantive concerns were raised by Committee.

Decision / Conclusion
Assurance provided that the Joint Clinical Care Governance Committee, Finance and Performance Committee, Remuneration Committee and Staff Governance Committee Workplans for 2026/27 meet the needs of the Boards Code of Corporate Governance.

9. STRATEGIC OBJECTIVE – PLACE – No papers presented to Committee

10. STRATEGIC OBJECTIVE – PATIENT SAFETY, QUALITY AND EXPERIENCE

10.1 Morbidity and Mortality Group Lessons Learned (Presenter: Medical Director)

The Medical Director presented an update on the newly established hospital-wide Morbidity and Mortality Group, introduced at the request of consultants to support learning and quality improvement across clinical teams. These meetings review deaths and significant events and operate under strict confidentiality due to patient-identifiable information being discussed.

The Medical Director advised that feedback from consultants and doctors was positive and indicated a a supportive environment encouraging open and candid discussions. Meeting scheduling has presented challenges with meetings arranged around the rotating chairs' work patterns.

The Head of Patient Safety, Quality and Risk added that the process is supporting wider clinical governance engagement allowing themes to be fed into incident reporting.

Decision/Conclusion

Committee took assurance on the report, acknowledging the positive culture this has fostered.

11. STRATEGIC OBJECTIVE - PERFORMANCE

11.1 Annual Accounts – Key estimates and judgements (Presenter: Interim Director of Finance)

The Interim Director of Finance presented the Annual Accounts key estimates and judgements for use in the 2025/26 Annual Accounts. There are no changes proposed from the previous year's approach, given the Board's deficit position.

External Audit will again review the Board's status as an ongoing concern continuing to focus on financuial sustainability.

The Interim Director of Finance confirmed that it was anticipated that asset valuation will have no material changes and pension and clinical negligence estimates will be

based on information provided by Scottish Public Pensions Agency (SPPA) and the Central Legal Office (CLO).

The Interim Director of Finance updated the Committee on historic VAT liabitiles for which accruals are being made, until the risk is fully resolved.

Decision/Conclusion

Committee approved the key estimates and judgements presented for use in the 2025/26 annual accounts.

11.2 Code of Corporate Governance for Recommendation of Board approval (Presenter: Head of Corporate Governance)

The Head of Corporate Governane presented version 20 of the Code of Corporate Governance, for committee recommendation to Board for its approval.

The Head of Corporate Governance advised that minor changes had been made to the Code of Corporate Governance, following changes that have been made to Committee Terms of Reference.

I Grieve expressed her appreciation for the tracked changes in the document presented.

Decision/Conclusion

Committee approved the Code of Corporate Governance version 20 for recommendation of approval by the Board at the 30 April 2026 meeting.

1.3 Standing Financial Instructions Waiver Report (Presenter: Interim Director of Finance)

The Interim Director of Finance presented the Standing Financial Instructions Waiver Report, advising that 4 waivers have been issued during the year compared to 16 competitive tenders.

The Interim Director of Finance confirmed that the suppliers were sourced from the NHS framework or had previously undertaken such work for NHS Orkney, and were either the only ones who could realistically provide the work/service or where a mini competition would have been significantly disproportionate.

Decision/Conclusion

Committee took assurance on the report.

11.4 Counter Fraud Services (CFS) Quarter 3 Report (Presenter: Interim Director of Finance)

The Interim Director of Finance presented the Counter Fraud Services (CFS) Quarter 3 Report.

In Quarter 3 there were no new cases of alleged fraud identified.

During the period £3.7k of recoveries were made, primarily through patient exemption claims.

The Interim Director of Finance advised that the National Fraud Initiative had 152 matches which have been closed since the report was written. Work continues to review the remaining matches.

Decision/Conclusion
Committee took assurance on the report.

12. STRATEGIC OBJECTIVE – POTENTIAL

12.1. Internal Audit

12.1.1 - Internal Audit progress report and tracker (Presenter: Director of Perfomrance and Transformation)

D Eardley (Azets) presented the Internal Audit Progress report, advising that the Health and Safety audit work had been completed, but delayed such that it had not been possible to compile the final report for committee. The report will now be presented to the May committee meeting, with early circulation of the report proposed for members. He then confirmed that the 2025/2026 Annual Report will be presented to the Committee in May 2026.

D Eardley advised that there had been some changes to the proposed 2026/2027 internal audit plan, following its presentation to committee in December. This encompassed changes to the scope of the digital documentation review and financial sustainability review.

Unfortunately, the plan had not been circulated to the committee and apologies were extended. It was agreed that the updated plan would be circulated virtually before presentation at the May meeting.

Decision/Conclusion
Committee noted the update provided and that documents would be circulated virtually.

12.1.2. Internal Audit Update Report Quarter 3 2025/26 (Presenter: Director of Performance and Transformation)

The Information Governance Manager and Data Protection Officer presented the progress update to the Internal Audit tracker for discussion.

Committee agreed the following.

Internal Audit 2023/24 actions to be closed

- Infection Prevention Control - addressing mandatory training rates
- Business Continuity Planning - reporting of lessons learned.
- Business Continuity Planning - evolving approach to Business Continuity Planning

Internal Audit 2024/25 actions to be closed

- Sustainability action - clinical strategy to be removed
- Sustainability action - expanding the Chief Officers Group
- Recruitment action - updating Recruitment and selection policy.

Decision/Conclusion
Committee noted the update provided and progress on outstanding actions.

12.2. External Audit

12.3. External Audit Recommendations

12.3.1. Draft External Annual Audit Plan 2026/27 (Presenter: Alam Taimoor KPMG).

A Taimoor (KPMG) reported that the draft External Annual Audit Plan for 2026/27 will be shared shared shortly with management, the finalised plan to be pesented to the Audit and Risk Committee at the May meeting.

Decision/Conclusion
Committee took reassurance from the update.

13. STRATEGIC OBJECTIVE – PLACE - No papers presented to Commiitee.

14. ITEMS TO BE INCLUDED ON THE CHAIR'S ASSURANCE REPORT (Presenter: Chair)

No risk or matters of concern to be escalated to the Board.

Major Actions Commissioned or Underway included:

- Business Continuity risk owner to be invited to attend May Committee meeting to provide an update.
- Interim Chief Executive, Medical Director and Head of Patient Safety, Quality and Risk to meet to develop risk management processes.
- Committee Chair to liaise with Board Chair regarding scheduling of Board Development session on Risk Appetite Statement.

Decisions Made:

- Approval of the Chair's Assurance Report and minutes of the previous meeting**.**
- Approval of Governance Committee Workplans for 2026/27**.**
- Approval of Key Estimates and Judgements for the 2025/26 Annual Accounts.
- Approval of the updated Code of Corporate Governance (Version 20) for recommendation to the Board.
- Agreement to close a series of internal audit actions as presented in the tracker.

Positive Assurance:

- Assurance received from the Corporate Risk and Assurance Report and the Risk Management Group.
- Assurance that lessons learned from the Morbidity and Mortality Group are being embedded across the organisation.
- Assurance received from the SFI Waiver Report and Counter Fraud Services Q3 Report.
- Re-assurance from Internal Audit on progress against the internal audit plan.
- Re-assurance from External Audit that annual accounts work remains on schedule for delivery in May.

Decision / Conclusion
The Committee agreed to the above being added into the Chair's Assurance Report.

15. ANY OTHER COMPETENT BUSINESS (Presenter: Chair)

The Chair requested feedback as to the effectiveness of the meeting.

The Interim Chief Executive praised the good attention given to all items on the Agenda.

I Grieve noted that the quality of the information received was improving year on year and the Information Governance Manager and Data Protection Officer's report was particularly useful.

The Medical director reflected that thethe approach to risk management felt more professional and gave credit to those involved.

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

16.1 National Audit Reports - no reports presented

16.2 Record of Attendance 2025/26

Decision / Conclusion
The Committee noted the Record of Attendance 2025/26

16.3 Reporting timetable 2026/27

Decision / Conclusion
The Committee noted the Reporting timetable 2026.27

The Chair closed the meeting at 11:08