

Minutes of Meeting of Audit and Risk Committee
on Tuesday 24th June 2025 at 10.30
Conference Room, Summerfield House

Present	Mr Derick Murray	Chair, Non-Executive Board Member
	Mr Bert Donald	Non-Executive Board Member
	Mr Ritchie Johnson	Non-Executive Board Member
	Mr Steven Lindsay	Vice Chair, Employee Director/Non-Executive Board Member
	Mr Denis Robertson	Non-Executive Board Member
	Cllr Ian Yuill	Non-Executive Board Member
Attending	Ms Julie Anderson	Assistant Director of Finance
	Ms Linda Anderson	Assistant Financial Accountant
	Dr Hugh Bishop	Medical Director and Executive Lead for Risk
	Dr Adam Coldwells	Interim Chief Executive, NHS Grampian
	Ms Gillian Collin	Director, PricewaterhouseCoopers LLP (PwC)
	Ms Sarah Duncan	Board Secretary
	Mrs Alison Evison	Chair, NHS Grampian Board
	Ms Emma Louise Gowie	Assistant Financial Accountant
	Mr Eddie Graham	Head of Resilience
	Mr Martin Innes	Chief Digital Officer (Item 7.1.3)
	Ms Nanret Ogala	Financial Accountant
	Ms Angela Pieri	Audit Director, Grant Thornton
	Ms Nishta Sharma	Manager, PricewaterhouseCoopers LLP (PwC)
	Mr Alex Stephen	Director of Finance
	Ms Lorraine Stickney	Financial Systems Business Manager
	Mr David Walker	Head of Financial Services and Accounts
	Mr Andrew Wallace	Senior Audit Manager, Grant Thornton
	Ms Else Smaaskjaer	Senior Administrator (Minute)
Apologies	Mr Robert Barr	Manager, PricewaterhouseCoopers LLP (PwC)

Item	Subject	Action
1	Apologies	
	Noted above.	
2	Declarations of Interest	
	There were no declaration of interest. For transparency at Item 7.4 Councillor Yuill confirmed he is a member of Aberdeen City Council.	
3	Chair's Welcome and Briefing	
	Mr Murray thanked everyone for attending the meeting.	
4	Committee Forward Planner	

Item	Subject	Action
	<p>The forward planner for 2024/2025 and the draft annual plan and forward planner for 2025/26 had been included with papers for the Committee.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Noted that everything on the forward planner for 2024/25 was on track. • Agreed the content of the forward planner for 2025/26. 	
5	<p>Minutes of Meeting on 11th March 2025</p> <p>Following a correction to Dr Bishop's title the minute was approved as an accurate record.</p> <p>Item 7.1.3: Mr Stephen noted that matters relating to business resilience are reported to the NHSG Population Health Committee and queried whether that was the most appropriate route. It was confirmed that this remains under review.</p>	
6	<p>Matters Arising</p> <p>6.1 Action Log of 11th March 2025</p> <p>The Committee reviewed the action log of items from previous meetings, noted the updates provided and that items were either complete, on the agenda for this meeting or scheduled for future meetings of the Committee.</p> <ul style="list-style-type: none"> • Item 5 Tender Waiver – it was confirmed that this relates to rental and service charges for a property close to Dr Gray's Hospital which provides accommodation for visiting clinicians covering on-call rotas. • Item 6 Annual Review of Effectiveness – PwC had shared some examples of questions which could be used in the review and these will be distributed to key stakeholders in July. <p>The Audit and Risk Committee noted the update.</p> <p>6.2 Any other matters arising not on the action log</p> <p>None.</p>	
7	<p>Internal Audit</p> <p>7.1 Internal Audit Progress Report</p> <p>A report was presented which confirmed that the work outlined in the Internal Audit Plan for 2024/25 is now complete. Since the last meeting of the Committee two reports Backlog Maintenance Prioritisation and Key Financial Controls had been finalised. Work had commenced on the Plan for 2025/26 and Terms of Reference prepared for Sickness Absence, Discharge/Patient</p>	

Flow and Dangerous Substances which will be reported to the Audit and Risk Committee in September 2025. Ms Collin confirmed that the internal audit plan for 2024/25 had been completed, the programme of work for 2025/26 is underway and the audit team had no areas of concern to report.

The Audit and Risk Committee was provided with a detailed summary of progress against actions in relation to high risk findings identified in the internal audit reports on Ransomware Management and Business Continuity.

Ransomware Management:

- Some progress recorded but Committee disappointed that a number of actions remain outstanding and work against three actions had not yet started. Acknowledged that although some actions had not progressed as planned preparatory work is underway.
- The Committee noted disparity between a paper presented to a recent meeting of the PAFI Committee which put forward a more positive interpretation rather than the uncertainty regarding progress outlined in this paper.
- The Chief Digital Officer informed the Committee that, despite challenges in ensuring staff capacity to focus on this work whilst responding to daily demands, there is a significant amount of work ongoing. He also highlighted difficulties in securing the financial investment needed to address some significant technical and system challenges. There is regular dialogue with Executive Leads in relation to digital financing and prioritisation of resources.
- The number of internal audit actions is unusually high as they had been the outcome of two internal audit reviews and some had been broken down to a granular level of detail to provide more analysis around what is required.
- There was some discussion regarding the ongoing nature of the risks in relation to cyber security and agreed that at a future point some actions will have been progressed as far as they can be and will be considered complete.

The Committee reflected that the overall position had improved from that previously reported. Next steps will be to report back with clarity around deadlines for completion and closing off the recommendations.

The Audit and Risk Committee were content with the information provided in the Internal Audit Progress Report and confirmed that it provided assurance that the risks identified are being managed appropriately. It was noted that management actions agreed to mitigate risks against high risk findings will be monitored and progress reported to the Committee at each meeting.

7.1.1 Backlog Maintenance

The executive summary provides a broad picture of the challenging background around this and recognises that the inability to maintain and invest in NHS Grampian's infrastructure is categorised as a very high risk on the strategic risk register. The review had identified one medium risk and one low risk recommendation. The medium risk recommendation was in relation to the percentage of infrastructure risks which are not recorded in Datix to ensure adequate monitoring and strategic oversight. Clear guidance will be developed along with a housekeeping exercise to cleanse the existing risk register and ensure consistent reporting. The low risk recommendation highlighted an incomplete backlog maintenance tracker and out-dated procedures for backlog maintenance management. Both areas will be reviewed and updated.

Overall the report was categorised as high risk to reflect the challenging environment of managing growing backlog maintenance across an aging estate within the limited resources available.

Points raised:

- The Board may not be in a position to mitigate or reduce some of the high risk challenges but it is important that they have awareness and oversight of the scale of the challenge and what needs to be managed.
- It could be worth highlighting that although there are areas of risk in some buildings this is often in non-clinical areas with no direct impact on delivery of services or patient care. However, also noted that problems in non-clinical areas, such as the laundry and the decontamination unit, will impact indirectly on patients.
- Importance must be placed on the recording of information, as although it is good practice to meet regularly there should be action trackers in place to ensure transparency and provide a better understanding of where the organisation is in relation to mitigating infrastructure risks.

The Audit and Risk Committee noted the report and the management actions agreed to address the recommendations. Progress will be reported to the Committee in the annual update on low and medium risk recommendations.

7.1.2 Key Financial Controls

This annual report had identified one medium risk and one low risk recommendations. The review had assessed the design and operating effectiveness of key financial controls with a focus on drugs forecasting, stock control, accounts payable and payroll at NHS Grampian. Controls tested during the audit had indicated no areas for concern. The medium risk recommendation highlighted

that delays sometimes occur in initiating recovery of payroll overpayments. Work will be undertaken to implement a digital solution to improve the current process and ensure that required actions are taken within deadlines. The low risk recommendation related to the lack of specific procedures or documentation in place to cover the complete cycle for drugs stock management. Standard operating procedures will be developed.

The review had also noted areas of good practice including clearly defined and approved policies in place around accounts payable and consistent application of the delegation of authority matrix in relation to stock orders and accounts payable procedures.

The Audit and Risk Committee noted the review and the management actions agreed to address the recommendations. Progress will be reported to the Committee in the annual update on low and medium risk recommendations.

7.1.3 Cyber Incident Assurance

Covered at 7.1

The Audit and Risk Committee noted assurance from the update on progress against actions identified in the earlier reviews and requested that the Chief Digital Officer continues to meet regularly with internal audit colleagues and provides updates to future meetings of the Committee.

7.2 Internal Audit Annual Report and Opinion

Ms Collin presented the Internal Audit Annual Report which outlined all the audit work undertaken during 2024/25. She informed the Committee that the internal audit work undertaken had allowed an unqualified opinion in relation to the adequacy and effectiveness of governance, risk management and control as “reasonable assurance/moderate assurance”. She noted this opinion, consistent with previous years, was a positive outcome and based on the following:

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness or non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvement are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The report detailed the key factors that contributed to the opinion, provided a summary of key findings from the programme of work completed during 2024/25 and detailed a positive trend regarding

Item	Subject	Action
	<p>the number and level of risk recommendations. Ms Collin thanked all NHS Grampian staff for their cooperation with the Internal Audit Team.</p> <p>The Audit and Risk Committee endorsed the Internal Audit Report and Opinion and thanked PwC for the work undertaken during the year and the level of assurance given to the Committee.</p>	
7.3	<p>Progress on Internal Audit Low and Medium Recommendations</p> <p>Mr Walker presented a report which outlined the current status of the agreed actions arising from medium and low risk recommendations identified in previous internal audit reports. High risk recommendations are monitored separately by internal audit colleagues at PwC with updates provided at each meeting of the Committee. The Committee was informed that managers named as the responsible person for overdue recommendations had been asked to provide updates on progress. Those which go beyond six months of the target date are reported to the Chief Executive Team for escalation.</p> <p>The Committee discussed target dates and agreed these should be reviewed to ensure they remain realistic. Some could be overdue as a result of external factors such as managers waiting on national guidelines, actions which cannot be progressed due to inability to resource because of the financial position or instances where the nominated responsible manager has moved on to a different role.</p> <p>The Audit and Risk Committee agreed it had reviewed and scrutinised the information provided in this paper and confirmed that it provides assurance that recommendations are being actioned in response to medium and low internal audit findings by management.</p> <p>Action:</p> <ul style="list-style-type: none"> • Contact auditees to discuss actions and gain an understanding of the reasons why those that are overdue have not been closed/completed. • Following a review progress will be reported to the Audit and Risk Committee at its next meeting in September 2025. • Partnership colleagues if required to work with the finance team to identify any actions which are now out of date pending national guidelines. 	<p>JA</p> <p>JA</p> <p>SL/JA</p>
7.4	<p>IJB – Internal Audit Annual Opinion</p> <p>Ms Anderson presented a report which outlined the internal audit annual opinion across the three IJB areas in Grampian.</p>	

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	<p>Aberdeen City IJB had considered its Internal Auditors Annual Report and Opinion on 17th June 2025. The opinion given was that internal audit is satisfied that sufficient audit and assurance work had been undertaken to allow a reasonable conclusion to be drawn to the adequacy and effectiveness of the Board's framework for governance, risk management and control covering the period 1st April 2024 to 31st March 2025.</p> <p>Aberdeenshire IJB will consider its Internal Auditors Annual Report and Opinion on 25th June 2025 and this will be reported to the next meeting of the Audit and Risk Committee on 16th September 2025. At the time of reporting the shared assurance opinion is that only limited assurance can be given for the period 1st April 2024 to 31st March 2025.</p> <p>Moray IJB considered its Internal Auditors Annual Report and Opinion on 19th June 2025. The opinion given was that internal audit could only provide limited assurance that Moray IJB had adequate systems of governance and internal control. The Chief Financial Officer had set out progress made by Moray IJB in improving the systems of governance and internal controls which was attached as an appendix to the report.</p> <p>The Committee noted the pressures reported across IJBs and queried whether any themes had been identified by internal auditors which NHS Grampian should take into account. It was confirmed that there are financial and resource challenges across Grampian and there would be more joint working with IJBs during the year to improve accurate financial forecasting and a shared understanding of budget setting and monitoring requirements.</p> <p>The Audit and Risk Committee agreed it had reviewed and scrutinised the information provided in the paper and the Internal Auditors assurance reports and opinion to inform its assessment of the system of internal controls of the IJBs.</p> <p>Action:</p> <ul style="list-style-type: none"> IJBs to provide additional assurance that action plans are in place to address recommendations made by internal auditors. 	JA

8 Annual Report and Financial Accounts and External Audit

8.1 Annual Report and Accounts

Ms Anderson presented the 2024/25 annual report and accounts and highlighted the following:

- The purpose of the annual report and accounts in providing information around performance, and assurance that sound corporate governance is in place.

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- The inclusion of enhanced performance reporting to cover sustainability, environmental and financial issues.
- Two financial targets set by the Scottish Government Health and Social Care Directorates had been achieved. The third target (revenue resource limit) achieved with cumulative brokerage of £90m from the Scottish Government.
- The main changes for 2024/25 had been growth in expenditure, increased assets from the infrastructure programme and reduction in the share of IJB assets due to deficit and use of reserves.

It was confirmed that of the twenty eight actions identified by Grant Thornton in the annual audits for 2022/23 and 2023/24 twenty three had been closed off and the remaining five are in progress.

The Committee agreed that the report provided assurance of the finance and governance arrangements in place during 2024/25 and noted thanks to the finance team, internal and external audit colleagues who had contributed to closing the accounts within the timeframe allowed.

It was agreed that the recommendation to NHS Grampian Board to approve the accounts would be considered after the Committee had discussed Items 8.2, 8.3 and 8.4.

8.2 Annual Audit Report

Ms Pieri presented the Annual Audit Report and informed the Committee that Grant Thornton would propose an unqualified audit opinion providing assurance that financial statements are considered to give a true and fair representation of the Board's financial position at 31st March 2025. She highlighted the following:

The report outlined key findings, significant risks and other key audit matters arising from the external audit process and detailed the areas included in the wider scope of the audit along with conclusions reached. Ms Pieri highlighted the significant risk in respect of financial sustainability and the enhanced external scrutiny which will result from the escalation to level 4 of the Scottish Government's Support and Intervention Framework.

Ms Pieri noted thanks to NHS Grampian colleagues for their positivity and cooperation during the audit process. She informed the Committee that all outstanding items will be resolved prior to the meeting of NHS Grampian Board on Friday 27th June 2024. Following the meeting the accounts will be ready for 'sign off' for submission to the Scottish Government.

The Audit and Risk Committee noted the high standard of the report, welcomed the unqualified audit opinion, and thanked Ms Pieri, Mr Wallace and the Grant Thornton team for their professionalism in providing a comprehensive report for the Board's consideration.

8.3 **Service Audits**

Ms Anderson presented a report which highlighted key points in relation to audit reports for Practitioner Services, National IT Services and National Single Instances of the Common Finance System. NHS National Services Scotland (NHS NSS) provide services to NHS Grampian in support of the administration, processing and verification of payments to independent primary care contractors (Medical, Dental, Ophthalmic and Pharmaceutical) and also administration and support to a range of critical IT systems and services. NHS Ayrshire and Arran on behalf of NHS Grampian and other customer Health Boards host the national Single Instance of the common finance system used by all NHS Scotland Boards and directly manage the team who provide first and second line technical support to NHS Grampian. It was agreed that NHS Grampian benefits from the arrangement in terms of economies of skill and pooling of expertise.

The audit opinion for NSS regarding payments to primary care contractors and for NHS Ayrshire and Arran had been unqualified. The audit opinion for NSS regarding IT systems and services had been qualified. A letter from the NSS Director of Finance confirmed that management had accepted the findings of the audit and had agreed a set of actions which were in progress.

Ms Pieri confirmed that these audit reports had been considered by Grant Thornton as part of the NHS Grampian annual assurance process.

The Audit and Risk Committee agreed that:

- **It had reviewed and scrutinised the information provided in this paper and the appended reports, and confirmed it provided assurance in relation to the national shared service arrangements in place.**

8.4 **Patient Private Funds – Abstract of Receipts and Payments**

Mr Walker presented the Abstract of Receipts and Payment and explained that NHS Grampian is required to operate effective arrangements for the safeguarding and management of Private Patient Funds on behalf of adults who lack the capacity to do so themselves.

An annual audited return of the Patient Funds extract must be submitted to the Scottish Government Health and Social Care Directorate.

The funds held on behalf of patients at 31st March amounted to £54,876 and the appointed external auditors, Morris and Young, provided an opinion that the Abstract of Receipts and Payments gives a true and fair view of the funds administered by NHS Grampian on behalf of its patients. Minor recommendations were identified and work to progress these will be undertaken in 2025/26.

The Audit and Risk Committee agreed:

- **The 2024/25 abstract of receipts and payments for patient's private funds and the external auditor report had been reviewed and scrutinised to obtain assurance that Private Patient Funds had been operated in accordance with requirements.**
- **To endorse the abstract of receipts and payments for Patients Private Funds to NHS Grampian Board for approval.**

8.5 Recommendation to NHSG Board for Approval of the Accounts

Following discussions under items 8.1, 8.2, 8.3 and 8.4, the Audit and Risk Committee confirmed that, adequate confidence and assurance had been reached to recommend approval of the 2024/25 annual report and accounts to the NHS Grampian Board on 27th June 2025.

8.6 Audit Scotland: NHS in Scotland Spotlight on Governance

An Audit Scotland publication "NHS in Scotland: Spotlight on Governance" had been circulated with papers for the meeting. Ms Anderson highlighted the intention of the report to assess the effectiveness of governance arrangements in Boards across Scotland and the progress made in implementing the Blueprint for Good Governance. The Committee agreed the report had been a constructive and helpful read which included good practice examples and recommendations which would be useful in providing a guide for future plans for governance in NHS Grampian.

The Audit and Risk Committee agreed that:

- **It had reviewed and scrutinised the contents of the Audit Scotland Report.**

9 Risk and Compliance

9.1 Strategic Risk Management Update

Dr Bishop presented a report which provided the Committee with a report which provided information and updates on the Strategic Risk Register.

Main points discussed:

- The Strategic Risk Register reflects 10 Strategic Risks which is unchanged from the previous report to the Committee, although some risk appetite levels had been amended based on the refresh of the NHS Grampian Risk Appetite Statement endorsed by NHS Grampian Board in April 2025. The risks are currently rated as 4 Very High, 5 High and 1 Medium.
- Risks had been updated and amended based on discussion with risk owners and members of the Chief Executive Team.
- Risks are monitored by the Chief Executive Team and aligned Committees to take into account any changes which impact on the risk appetite level.
- Queried whether some risks aligned to IJBs also impact on NHS Grampian – e.g. delayed discharge and IJB overspends. Confirmed that this will be monitored and reviewed by the Chief Executive Team and through regular discussions between the NHS Grampian Finance Directorate and Chief Financial Officers of IJBs.
- There is a need to be careful in relation to risk appetite and risk rating as if they are consistently pushed up then they will all become very high/intolerable which will impact on the risk profile of the organisation.

The Audit and Risk Committee:

- **Agreed it had reviewed the assessment provided in Section 2.3 and the details within the Strategic Risk Register, and confirmed it provided assurance that processes for the management, review and oversight of Strategic Risks are in place and effective.**
- **Noted that a report on Strategic Risk 3132 Cyber will be on the agenda for the next meeting on 16 September 2025.**

10 Financial Governance

10.1 Counter Fraud Update

Ms Anderson presented a report which provided an update in relation to Counter Fraud activity in NHS Grampian. The report included a summary of the three referrals which are under criminal consideration and the allegations which had not been identified as criminal but are being dealt with through intervention by HR and line managers.

The report outlined recent actions to increase fraud awareness across the organisation including a workshop with Speak Up Ambassadors in May 2025 and improvements to the refreshed Finance, Procurement and Performance Intranet Page. Good progress was reported in meeting the Counter Fraud Standards during 2024/25. It was confirmed that an action plan to ensure progression towards meeting the Counter Fraud Standards in full is part of the 2025/26 Fraud Annual Action Plan which had been

endorsed by the Counter Fraud Steering Group and the Audit and Risk Committee. The TURAS module will be included in the protected learning time programme and had been mandated in NHS Grampian for Finance and Procurement staff.

National Fraud Initiative data matches had been carried out from October 2024 to January 2025. The review of matches across supplier, payroll and potential conflicts of interest did not identify any fraudulent activity. There had been a small number of duplicate payments (10 from a total of 171,000 payments made) and recovery is in progress.

The Audit and Risk Committee agreed the information in the report had been reviewed and scrutinised and that it provides assurance in relation to meeting the Counter Fraud Standard, delivery of the Fraud Annual Action Plan and that policies and processes necessary are in place and are robust.

10.2 Operation Ariston

Ms Anderson provided a briefing on this long running case which had reached a conclusion at the High Court in Glasgow in April 2025. The four accused were found guilty with custodial sentences covering 29 years. One of those found guilty had been in the employ of NHS Grampian when the procurement fraud took place. Investigation of the activities in NHS Grampian found evidence of controls in place but that the employee had circumvented the procurement processes as directed in the Standing Financial Instructions of NHS Grampian. Lessons learned from the investigation had resulted in the tightening up of procurement processes locally.

The Audit and Risk Committee agreed the information in the report had been reviewed and scrutinised and confirmed it provided assurance that counterfraud arrangements in relation to responding to Operation Ariston are in place and are robust.

10.3 Losses, Special Payments including Stock Write Off

Mr Walker presented the routine annual report prepared to advise the Audit and Risk Committee with a summary of losses and special payments which NHS Grampian is required to submit to the Scottish Government Health and Social Care Directorate. A summary of receipts and payments was appended to the paper.

It was confirmed that:

- The drugs stock loss had resulted from a very short shelf life of a particular drug. There are complexities in delays between date of order and date of receipt and changes to patient conditions. These represent change of circumstances and responding to demand rather than system

weaknesses.

- New arrangements had been agreed to address weaknesses identified in one location to prevent a recurrence of the consignment stock loss. Investigation had identified no criminal activity.
- Agreements in relation to clinical compensation payments are arranged through the NHS Central Legal Office as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). Settlements are not negotiated locally and legal processes are followed. There are agreements in place for shared risk and costs across Boards.

The Audit and Risk Committee agreed:

- **The content of the SFR 18 Losses and Special Payments return for 2024/25 had been reviewed and scrutinised.**
- **The policies and processes in relation to the completion of the return are in place and are robust.**
- **To approve in principle the write off of £32,370 in respect of the drugs stock loss and submission of Appendix 2 to the Scottish Government for approval.**
- **To approve in principle the write off of £51,590 in respect of the consignment stock loss and submission of Appendix 3 to the Scottish Government for approval.**

10.6 Financial Recovery Framework – Financial Governance and Control – Update

NHS Grampian Board, at its meeting on 12th September 2024, had delegated oversight of the organisations financial recovery package to the Audit and Risk Committee.

Ms Anderson confirmed that four areas of scrutiny continue to be progressed and monitored in relation to the Financial Governance and Control Programme:

- Healthcare Financial Management Association’s Self-Assessment Tool on “NHS Financial Sustainability – Are You Getting The Basics Right?”
- The Scottish Government had advised in May 2025 of escalation to level 4 of the Support and Intervention Framework - a rapid external diagnostic review commissioned by the Scottish Government to be undertaken by KPMG.
- Internal Audit Plan Focus.
- Financial Recovery Board established (to meet when external diagnostic review is complete).

In relation to the HFMA Self-Assessment Tool 18 actions had been identified and of those 8 had been completed and 10 are in progress.

The Committee was informed that the Financial Recovery Board will not replace operational or financial management structures

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	<p>but will act as the strategic leadership and assurance body in relation to financial recovery, commissioning other work or intervention when required.</p> <p>It was agreed that there are known areas of concern but focus should remain on identifying savings which will not have an adverse impact on staff and patients. Integrated Impact Assessments had been developed across areas of potential savings.</p> <p>The Audit and Risk Committee agreed:</p> <ul style="list-style-type: none"> • It had reviewed and scrutinised the information set out in the report and confirmed it provides assurance of the progress being made in relation to the Financial Recovery Framework. 	

11 AOCB

None

Dates of Future Meetings (2025)

Tuesday 16 th September	11.00 – 13.30	In Person
(followed by Development Session)		
Tuesday 9 th December	11.00 – 13.30	By Teams