

AUDIT AND RISK COMMITTEE

Minutes of the Audit and Risk Committee meeting held at 9.30 am on Monday, 16th June 2025 via MS Teams and in Meeting Room 10, West Port.

Present: Mr J. Blazeby, Non-Executive Board Member (Chair); Ms E. Gordon, Non-Executive Board Member; Ms P. Cantley, Non-Executive Board Member.

In Attendance: Ms L. Allen, Assistant Finance Manager; Ms J. Gillies Associate Director for Quality Improvement & Safety; Ms P. Gillen, Audit Scotland; Mr M. Lees, Grant Thornton; Ms C. Hiscox, Chief Executive; Ms G. Macleod, BDO; Mr C. Marriott, Director of Finance; Ms E. Mayne, Grant Thornton; Mr A. McCreadie, Deputy Director of Finance; Ms O. Notman, Head of Financial Services; Mr S. Nugent, Audit Scotland; Mr J. Old, Financial Controller; Ms C. Robertson, BDO; Mr J. Sturgeon, ; Head of Programmes & Development eHealth; Mr D. Thompson, Board Secretary; and Miss L. Baird, Committee Administrator.

Apologies: Ms K. Kasper, Non-Executive Board Member; Councillor H. Cartmill, Non-Executive Board Member.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

Welcomes and Introductions

The Chair welcomed Members to the June meeting of the Audit and Risk Committee.

11. Minutes of the previous meeting held on 14 April 2025

- 11.1 The minutes of the meeting held on 14 April 2025 were accepted as an accurate record and approved.

12. Running Action Note

- 12.1 The Committee noted the actions marked complete or items on the agenda for further discussion and those that were not due for consideration detailed within the report.
- 12.2 The Committee accepted the running action note and the information therein.

13. Risk Management

- 13.1 Corporate Risk Register – The previously circulated report on the NHS Lothian's Corporate Risk Register (CRR) and associated processes was received.
- 13.1.1 Attention was drawn to a number of risks that still awaited confirmation of risk grading relating to 4 Hr Emergency Access Standard, Hospital Occupancy and Access to Treatment. It was noted that final ratings would be agreed with Executive Leads once funding for these services had been confirmed with Scottish Government.

- 13.1.2 The Committee noted that the grading of risk 3600 – Finance has reduced from Very High 25 (Likelihood: Almost certain (5), Impact: Extreme (5)) to Very High 20 (Likelihood: Likely (4), Impact: Extreme (5)).
- 13.1.3 The Committee reviewed the April 2025 updates provided by the executive leads concerning risk mitigation.
- 13.1.4 The Committee noted that that the three risks set out below have been removed from the CRR, as agreed by the Board at the April meeting:
- 5020 - Water safety and quality
 - 3828 - Nursing workforce
 - 5784 - Inappropriate and Inadequate Low Secure Accommodation in the Estate
- 13.1.5 The Committee noted the overview of the changes in the CRR over that past two calendar years.
- 13.2 Litigation Annual Report 2024/25 - The previously circulated report that provided assurance on the management of litigation process within in NHS Lothian was received and attention was drawn to the key points within the report.
- 13.2.1 The Committee recognised that there were no significant high value claims closed within the financial year, noting that in 2025/26 there would be several high value claims due to closure of high value maternity claims.
- 13.2.2 The correlation between the improvement programme currently being undertaken in Women's and Children's Services relative to the number of claims and whether the work being carrying out would support the moderate assurance described within the report was discussed. Members took assurance from the detailed programme of work described and continued oversight from Healthcare Governance Committee, noting that NHS Lothian remained within the control limits and was not an outlier in terms litigation or outcome measures relating to Maternity Services.
- 13.2.3 The Committee took assurance from NHS Lothian's position and performance in comparison to other NHS Board, noting that the organisation was not an outlier in terms of CNORIS.
- 13.2.4 The increased complexity of litigation cases and action taken to increase Central Legal Office (CLO) resource and streamline processes were noted.
- 13.2.5 The Committee accepted the report as an annual update on litigation processes and activity in terms of numbers, financial impact and recurring themes.
- 13.2.6 The Committee accepted moderate assurance for the effectiveness of the processes and adherence to expected standards regarding the litigation process, and of evidence of learning after cases are closed based on programmes of work in place to improve management of and the response to adverse events. It was recognised that events resulting in a claim were not always part of an adverse event process and that claims do take a considerable time to reach completion.

- 13.3 Management of NHS Lothian Cyber Security Risk – The previously circulate report set out the risk mitigation plan to manage the Cyber Security Risk 5322 on the Corporate Risk Register (CRR) was received.
- 13.3.1 Attention was drawn to the significant work undertaken by Digital to address the ongoing challenge around cyber security and the vigilance and expertise required to ensure that the Board's system remain secure.
- 13.3.2 The Committee noted the extensive programme of work undertaken by Digital supported by Finance and the capital programme around supply and procurement of essential kit, taking into consideration the need to maintain, review and invest in new technology across the organisation to ensure that services were able to transform and develop in line with technological developments.
- 13.3.3 The Committee noted the progress and implementation of the risk mitigation plan.
- 13.3.4 The Committee accepted the risk mitigation plan as a source of moderate assurance.
- 13.3.5 The Committee noted that the update precedes the 2025 NISR final audit outcome.
- 13.3.6 The Committee supported the ongoing work to achieve improvement in compliance and to continued significant focus on data protection and cyber security to maintain the current position and make improvements in line with emerging threats, but also to note that the NISR audit compliance for policy and procedure, does not negate the need for the Boards continuous diligence, security monitoring and improvement, in conjunction with potential disaster recovery planning.
- 14. Internal Audit**
- 14.1 Internal Audit Redesign of Urgent Care – The Internal Audit of Redesign of Urgent Care had identified two low findings and had been awarded an overall rating of significant.
- 14.1.1 It was noted that work to date relating to the specific piece of work within unscheduled care as part of additional funding awarded to the organisation had focused on Edinburgh services, phase 2 of this work would implement similar interventions at St. John's Hospital and the Western General Hospital. Members took assurance from principles described and how they would support the population in accessing unscheduled care.
- 14.1.2 The Committee noted the scope of the audit had focused on the processes that support that unscheduled care rather than performance and delivery of services within Lothian.
- 14.1.3 The Committee accepted the report.
- 14.2 Internal Audit Progress Report (June 2025) – the previously circulated report was received. Since the April Meeting Internal Audit had delivered the final report concluding the 2024/25 plan.
- 14.2.1 The Committee accepted the report.
- 14.3 Internal Audit Recommendation Tracker Report (June 2025) – The previously circulated report was presented.

- 14.3.1 It was noted that at the time of finalising the report there were nine recommendations currently overdue and a further 33 had not reached their originally agreed target date. Of the nine recommendations overdue there was only one high risk recommendation related to Medicines Management.
- 14.3.2 It was noted that due to the complexity of the high risk Medicines Management the original timeline for completion would not be viable, however the service continued to make progress against the recommendation.
- 14.3.3 The Committee accepted the report subject to the correction of a typographical error identified on page 2 of the report relating to NHS Borders.
- 14.4 Internal Audit Annual Report and Opinion 2024/25 - the previously circulated report was received. The report summarised the work that had been undertaken by Internal Audit throughout the year and provided the annual internal audit opinion.
- 14.4.1 The Head of Internal Audit drew the Committee's attention to her opinion for the period 1 April 2024 to 31 March 2025. She explained that the opinion was based on the scope of reviews undertaken and the sample tests completed during that period. Noting that Moderate Assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 14.4.2 The Committee accepted the report, noting that the Internal Audit had concluded that there were sufficient arrangements in place, in the areas Internal Audit had reviewed, to promote value for money and secure regularity and propriety in the administration and operation of NHS Lothian controls.
- 14.4.3 The Committee extended thanks to Ms Mayne and her team for their support over the term of their contact with NHS Lothian and wished them well for the future.
- 14.4.4 Members took assurance from the detailed handover described and documentation provided to support BDO relating to tracking of all outstanding recommendations as they embed into their new role.
- 14.5 Internal Audit Plan 2025/2026 - The received a brief presentation of the previously circulated report that outlined the audit programme for 2025/26, drawing attention to the role of internal audit, planning processes, reviews scheduled for the coming year and the 3 year strategy for internal audit.
- 14.5.1 It was noted that the Internal Audit plan was a working document that was subject to change and Corporate Management Team (CMT) confirmation of timescales for the audits detailed therein.
- 14.5.2 The Committee discussed the details of the proposed Estates and Facilities and Mental Health Access audits. Noting that at the time of the reports production only a high level description of individual audits had been provided and there would be opportunities to discuss individual scopes in detail and target areas of concern such as backlog maintenance and Inpatient and outpatient Mental Health.
- 14.5.3 The Committee considered whether it would be appropriate to include a specific target audit that would consider broader maintenance issues and programme of work relating to the

reconfiguration of SJH, WGH windows replacement programme and long term investment required to improve acute sites, considering the financial position and improvement plans on a basis of priority.

- 14.5.4 There was some angst around the timescale for a re-audit of Medicines Management and whether improved compliance would be shown in the third audit. In the interim the organisation continued to work to mitigate the errors identified in the previous medicines management and report directly to Healthcare Governance and Audit and Risk Committee at key milestones to assure the Board on compliance to medicines management policy.
- 14.5.5 The Committee noted the importance of engaging early and fast tracking the scopes of Q1 audits once the scheduled had been confirmed at CMT, ensuring that the programme stays on scheduled and audits are spreadly equally across the year.
- 14.5.6 The Committee accepted the Internal Audit Plan for 2024/25 subject to CMT approving the programme of audits for 2025/26 at their next meeting.

15. Counter Fraud Activity

- 15.1 Counter Fraud Activity for the year 1 April 2024 to 31 March 2025 – The Committee received a verbal overview of the previously circulated paper.
- 15.2 It was noted that throughout the year 15 intelligence alerts had been issued by Counter Fraud Services and disseminated to all relevant and interested parties within the organisation.
- 15.3 On fraud detection, the Committee noted that there were 48 referrals had been made by NHS Lothian throughout the year equating to 15% of referrals in NHS Scotland. A number of the referrals and operations were ongoing, and some had closed during the year.
- 15.4 The Committee noted that Operation Ariston had concluded and the final report from CFS was awaited. There was some angst around staff members in Lothian not receiving adequate support when providing evidence in court on behalf of the organisation and the impact that this may have had on their wellbeing. It was agreed that the organisation would work with colleagues to ensure that they are sufficient support in the future in terms of trial awareness and the operation is used as an example and deterrent for future instance of fraud with staff.
- 15.5 The Committee accepted that the report provides a moderate level of assurance that the Board are raising the awareness of counter fraud strategy/ policy through communications and training and all cases of suspected fraud are accounted for and appropriate action is taken.
- 15.6 The Committee accepted the report as a summary of the counter fraud action during the period of 1 April 2024 to 31 March 2025.

Ms Hiscox left the meeting.

16. Corporate Governance

- 16.1 SFR18.0 – Summary of Losses and payments for the year ended 31 March 2024 – the report that summarised the losses and compensations payments incurred throughout 2024/25 was received.
- 16.1.1 Attention was drawn to a high value case that had closed in March 2025 and would be presented within the 2025/26 annual accounts.
- 16.1.2 The Committee accepted the report as a source of significant assurance that the Board has adequate and effective systems of control relating to losses and special payments, and that management are continually reviewing and evaluating changes to improve those systems.
- 16.2 National Services Audit Reports 2024/25 – The previously circulated report that provided the Committee with assurance that the systems of control managed by NHS NSS and NHS Ayrshire and Arran on the Board's behalf was received.
- 16.2.1 The Committee noted that the assurance gap in terms of all of the audit reports considering general IT controls, controls that support the e-Financial and disaster recovery systems would be addressed in 2025/26.
- 16.3.2 The Committee accepted these reports from the service auditors as a source of significant assurance that there are adequate and effective systems of internal control relating to the National Single Instance financial ledger, payroll, practitioner services and the National IT Services contract.
- 16.4 NHS Lothian Charity Annual Report and Financial Statements year ended 31 March 2025 – the previously circulated report that provided the Committee with assurance that the Annual Report and Financial Statements of the NHS Lothian Charity for the year ended 31 March 2025 have been prepared and audited was received.
- 16.4.1 The Committee accepted the report as a source of significant assurance that management have prepared the Annual Report and Financial Statements of the Charity for 2024/25, CT Audit Ltd. have carried out an external audit of the financial statements and have provided an unqualified audit opinion.
- 16.4.2 Attention was drawn to the efficiency of the declaration of interest process employed by the Charity in comparison to NHS Lothian's and lessons that could be learned to improve compliance. The Board Secretary and Director of Finance took an action to share the process and templates used within NHS Lothian with the Charity. **DT/CM**

17. Annual Accounts

- 17.1 Governance Statement – The Committee received a brief overview on the Governance Statement, its purpose and how it was collated.
- 17.1.1 The Committee accepted the report as a source of significant assurance that the process to develop the Governance Statement is consistent with the associated instructions and good practice.
- 17.1.2 Members reviewed the report and the draft Governance Statement and consider whether any additional disclosures are required.

- 17.1.3 The Committee approved the Governance Statement for inclusion in the 2024/25 accounts.
- 17.1.4 Strategy, Planning & Performance Committee Annual Report 2024/25 – The Committee accepted the Strategy, Planning & Performance & Development Annual Report 2024/25 as a source of assurance.
- 17.1.5 Finance and Resource Committee Annual Report 2024/25 – The Committee accepted the Finance and Resources Committee Annual Report 2024/25 as a source of assurance.
- 17.1.6 Staff Governance Committee Annual Report 2024/25 - The Committee accepted the Staff Governance Committee Annual Report 2024/25 as a source of assurance.
- 17.1.7 Healthcare Governance Committee Annual Report 2024/25 – The Committee accepted the Healthcare Governance Committee Annual Report 2024/25 as a source of assurance. It was noted that although the Child and Adult Mental Health Services (CAMHS) escalation was not specifically stated within the Annual Report the wider service issues had covered and discussed in detail
- 18. Audit Scotland: Cover letter and NHS Lothian Draft External Audit Report for the year to 31 March 2025**
- 18.1 The Committee received a brief overview, highlighting how the cover letter and report was prepared, key findings and unmodified opinion therein.
- 18.2 The External Auditor received confirmation from those charged with governance that there had been no instances of any actual, suspected, or alleged fraud; any subsequent events that had occurred since the date of the financial statements, or material non-compliance with laws and regulations affecting the entity that should have been brought to their attention.
- 18.3 It was noted that several outstanding items listed within the cover letter would be concluded in the next couple of weeks. These would be addressed through updating the narrative of the Annual Report. Any changes made to the Annual Report would not affect the opinion provided and the External Auditors were comfortable that the Audit and Risk Committee take the External Audit Report along with the Annual Accounts to the Board in June 2025.
- 18.4 The Committee discussed the difference in opinion relating to the accounting treatment applied to the Liberton Hospital, noting that 2024/25 would be the last year that this would be seen in the Annual Accounts with the transfer of the site back to the City of Edinburgh Council.
- 18.5 It was noted that the decommissioning of PECOS, the current national procurement system for NHS Scotland, following Scottish Government moving to a new system. Directors of Finance noted the implication of this and would work together to identify a way forward.
- 18.6 The Committee accepted the report and thanked the External Auditors and Finance Team for the comprehensive report.

19. NHS Lothian Annual Accounts for the year ended 31 March 2025

19.1 The previously circulated accounts were presented.

19.1.1 The Committee reviewed the draft Annual Accounts for the year ended 31st March 2025.

19.1.2 The Committee recommended that:

- the Board that they adopt the Annual Accounts for the year ended 31st March 2025.
- the Board to authorise the designated signatories (Interim Chief Executive and Director of Finance) to sign the Accounts on behalf of the Board, where indicated in the document.

Subject to the correction of a minor typographical error on page 29 relating to the correct of Amjad Kahn's name.

19.1.13 It was noted that the accounts are not in the public domain until they are adopted by Parliament later in the year.

19.2 Management Representation Letter – The Committee reviewed the draft Representation Letter to the External Auditors.

19.1.2 The Committee agreed that the statements properly represent confirmation to the External Auditors on matters arising during the course of their audit of the annual accounts for the year ended 31 March 2025. Members also agreed that the letter be adopted for the Interim Chief Executive to sign as Accountable Officer of the Board.

20. NHS Lothian Patients' Private Funds Annual Accounts 2024/25

20.1 The previously circulated report was presented.

20.2 The Committee accepted the management letter from Azets as a source of significant assurance in relation to the draft annual accounts and the underlying systems of internal control.

20.3 The Committee agreed to recommend to the Board that the Chief Executive and Director of Finance to sign the "Statement of Lothian NHS Board Members' Responsibilities" on behalf of the Board.

20.4 The Committee agreed to recommend to the Board that following the Board's consideration, the Director of Finance and the Interim Chief Executive sign the "Abstract of receipts and Payments" (SRFS 19.0).

20.5 The Committee agreed to recommend to the Board that they approve the draft Patients' Private Funds accounts for the year ended 31 March 2025.

21. Committee Business

21.2 Audit and Risk Committee Annual Report and Assurance Statement to the Board 2024/25 – The Committee reviewed its Annual Report for 2024/25, noting that it had been prepared in line with the Scottish Government's Audit and Assurance Committee Handbook.

21.2.1 The Committee approved its 2024/25 Annual Report for submission to the Board.

22. Any Other Competent Business

22.1 There were no other items of competent business for consideration.

23. Reflections on the meeting

23.1 The Committee welcomed the detailed discussions held. There were no other matters to raise with the Board with the exception of the annual accounts and assurance documents.

23.2 Following CMT approval the Chair would share the Internal Audit Plan 2025/2026 with the Committee Chairs Group as a matter of courtesy. **JB**

24. Date of Next Meeting

24.1 The next meeting of the Audit and Risk Committee will be held on Monday 11 August 2025 at 9.30 a.m. via Microsoft Teams.

Signed by the Chair 11 August 2025