HIGHLAND NHS BOARD	Assynt House Beechwood Park Inverness IV2 3BW Tel: 01463 717123 Fax: 01463 235189 www.nhshighland.scot.nhs.uk
MINUTE of MEETING of the NHS Board Audit Committee Microsoft Teams	**17 June 2026 9.30 am**

Present:

Emily Austin, Non-Executive (Chair)
Alex Anderson, NHSH Board Non-Executive
Heledd Cooper, Director of Finance
Bert Donald, NHS Board Non-Executive
Brian Steven, NHSH Board Non-Executive

In Attendance:

Gareth Adkins, Director of People and Culture
Louise Bussell, Board Nurse Director
Garret Corner, NHSH Board Non-Executive
Fiona Davies, Chief Executive
Jennifer Davies, Director of Public Health
David Eardley, Azets, Internal Audit
Claire Gardiner, Audit Scotland
Stephanie Hume, Azets, Internal Audit
Arlene Johnstone, Chief Officer, HSCP
Andrew King, Corporate Governance and Records Manager
Brian Mitchell, Board Committee Administrator
David Park, Deputy Chief Executive
Boyd Peters, Board Medical Director
Liz Porter, Assistant Director of Financial Services

1.1 WELCOME, APOLOGIES AND DECLARATION OF INTERESTS

Apologies were noted from Non-Committee members G Bell, S Compton-Bishop and J McCoy.

1.2 DECLARATION OF INTERESTS

There were no Declarations made.

1.3 MINUTE AND ACTION PLAN OF MEETING HELD ON 12 MAY 2026

The Chair stated approval of the draft Minute would be deferred to the next meeting, due to their late submission and insufficient time for members to consider the same.

In relation to the Committee Action Plan, there were no changes proposed at this time.

The Committee Noted the position and so **Agreed.**

1.4 MATTERS ARISING

There were no matters discussed in relation to this Item.

2 INTERNAL AUDIT PROGRESS REPORT AND INDIVIDUAL REPORTS

2.1 Internal Audit Progress Report

S Hume spoke to the circulated report providing a summary of internal audit activity since the last meeting and confirming the reviews planned for the upcoming quarter, including identifying any changes to the annual plan. Updates were provided in relation to progress with both the 2025/26 and 2026/27 Plans given the point in the reporting cycle. The former was complete, the latter subject to ongoing activity. It was reported progress had been made against the annual audit programme for 2026/27, with one review completed as indicated. Activity remained on track with a view to delivering the Internal Audit Report for 2025/26 by the 23 June 2026 Audit Committee meeting. Progress to date was welcomed. The following was also noted:

- Whistleblowing Review. Advised this had been deferred to later in 2026/27, with discussion ongoing in relation to identifying new proposed fieldwork dates. The review would not be reported to the September 2026 meeting as originally scheduled.

After discussion, the Committee Noted the circulated report.

2.2 Inventory Control

S Hume spoke in detail to the circulated report, the Executive Summary of which provided an audit rating of substantial improvement being required. The report outlined the review background and scope, provided an overall control assessment and indicated 13 improvement actions had been identified, all of which related to the design of controls in place. Key findings and cultural observations were outlined, as was the impact on the NHSH Corporate Risk Register, and detail of the relevant Management Action Plan was included.

There was discussion of the following:

- Year End Valuations and Inventory Control Processes. Advised these had been found to be consistent and were being followed in relation to the wider annual review process.
- Ongoing Activity. Advised as to improvement activity relating to stores, including development of a single management framework. This included Theatres stores.
- Action Timelines. Noted as all relating to 31 March 2027. Advised interim activity would be carried forward, with stated timelines allowing for ensuring appropriate learning from other organisations, buy-in from all areas and phased implementation.
- Materiality Considerations. Noted no value had been assigned to this aspect. Advised as to the potential materiality value aspect, noting this would be high for eHealth, equipment and Orthopaedic stores. In relation to drugs the key aspects related to safety and security. There was no integrated inventory control system covering all areas and linked to wider financial systems at this time, with discussions ongoing in respect of future systems.

After detailed discussion, the Committee Noted the circulated report and associated findings.

2.3 NHS Highland Internal Audit Annual Report 2025-26

D Eardley spoke in detail to the circulated report, outlining the basis of opinion and stating that NHS Highland had a framework of governance, risk management and controls that provided reasonable assurance regarding the effective and efficient achievement of objectives, except in relation to specific aspects of Health and Safety (particularly regarding ensuring that Water Risk Assessments had been undertaken in line with requirements, and ensuring appropriate assurances were obtained from third party owned properties that the required assessments had been undertaken). The report went on to outline relevant scope and responsibilities, relevant planning process, cover achieved, detail of in-year reporting to the Audit Committee,

progress in implementing previous internal audit actions, key themes identified and cultural observations. A summary of the Quality Assurance Assessment was provided.

There was discussion of the following:

- Summary of Reports by Control Assessment and Action Grade. Questioned the level of distribution of audit ratings. Advised can be seen as reflective of a challenging position more widely for public services in Scotland. Changes in internal audit standards and methodology had also impacted grading levels/quantum. NHS Highland was not an outlier.
- Identification of Areas for Review. Emphasised reviews were directed to areas where there was a known requirement for improvement through support and guidance.

After further detailed discussion, the Committee Noted the circulated report and associated findings.

2.4 Non-Pay Expenditure

D Eardley spoke in detail to the circulated report, the Executive Summary of which provided an audit rating of substantial improvement being required. The report outlined the review background and scope, provided an overall control assessment and indicated 24 improvement actions had been identified, 14 of which related to the design of controls in place. Key findings and cultural observations were outlined, as was the impact on the NHSH Corporate Risk Register, and detail of the relevant Management Action Plan was included. It was noted the review had been focussed on Out of Area referrals and had assessed the financial governance and control framework supporting the Clinical Advisory Group processes and activities before and after Group decisions.

The following was discussed:

- Safe Haven Team. Advised as to small size of team, it's role within the overall process and need for improved processes and documentation to ensure consistency of approach.
- Ensuring Appropriate Learning. Advised was being taken forward in relation to other areas where complex case management was involved, including contractual considerations.
- Scope and Materiality of Review. Advised had considered aspects relating to both expert specialist care requirements and cost effective Service Level Agreement use aspects of the wider decision making process at Clinical Advisory Group level. High cost packages were more likely to carry a materiality aspect. It was stated a financial value would useful.

After discussion, the Committee Noted the circulated report and updates provided.

3 DRAFT AUDIT ASSURANCE REPORTS ON EXTERNAL SYSTEMS

L Porter spoke in detail to the circulated report, which sought to provide assurance from the satisfactory Service Audit reports from Public Services Delivery Scotland (PSD) covering Practitioner Services; National IT Services; NHS Ayrshire and Arran covering the NSI Ledger system; and Draft NHS Scotland National Payroll System. A detailed assessment was provided in relation to each of the individual reports. The report proposed the Committee take **Substantial** assurance.

During discussion, it was confirmed NHS Highland representatives attended regular quarterly meetings relating to the NSI ledger (NHS Ayrshire and Arran).

After discussion, the Committee Noted the circulated report and associated documentation and **Agreed** to take **Substantial** assurance.

4 DRAFT LETTER OF REPRESENTATION FROM NHSH TO AUDIT SCOTLAND

L Porter introduced the circulated letter, advising this formed a significant component of the Annual Accounts process.

The Committee Noted the circulated draft Letter of Representation.

5 EXTERNAL AUDIT

5.1 Draft Final Annual Audit Report 2025-26

C Gardiner advised the relevant audit process was continuing well, the Annual Report would be submitted for the meeting on 23 June 2026 and would propose an unmodified opinion.

The Committee so Noted.

6 DRAFT ANNUAL REPORT AND ACCOUNTS FOR 2025-26 FOR NHS HIGHLAND (Incl. Quick Guide to Annual Accounts)

L Porter spoke to the circulated report and formal Accounts for the year ended 31 March 2026, giving a financial overview of NHS Highland and including the consolidation of the Endowment Funds and Joint Integration Board (IJB). She provided specific detail in relation to the summary outturn position and associated deficit funding support; income and expenditure variances; relevant balance sheet movements; other operating expenses; other operating income; the Statement of Financial Position, and Losses and Special Payments. Members acknowledged the work of all involved in contribution to a positive report.

There was discussion of the following:

- Trade Payable (Other Public Sector Bodies). Advised principal movement related to timing of invoices and associated SFR30 process.

After discussion, the Committee Noted the report Annual Report, Accounts, associated Quick Guide and schedule of Losses and Special Payments.

7 PATIENT AND CLIENT PRIVATE FUNDS

L Porter spoke to the circulated Abstract of Receipts and Payments for the year ended 31 March 2026; Statement of Board Members' Responsibilities; Independent Auditor's Report to the Board of NHS Highland; Audit Completion Memorandum by Thomson Cooper Accountants and associated Letter of Representation. She advised as to the nature of relevant fieldwork and responses provided in relation to matters raised during the audit process. H Cooper took the opportunity to advise as to an intended future Internal Audit review of this activity area.

The following was raised in discussion:

- Funding for Administrative Resource. Advised this was met by the NHS Board, with consideration ongoing as to the potential for offset of some of the cost through application of the interest raised.

The Committee otherwise Noted the circulated accounts.

8 AUDIT SCOTLAND REPORTS

There was no discussion in relation to this Item.

9 ANY OTHER COMPETENT BUSINESS

There was no discussion in relation to this Item.

10 DATE OF NEXT MEETING

The next meeting was to be on **Tuesday 23 June 2026** at **9.00 am** on a virtual basis.

The meeting closed at 10.40am.