



Scottish Ambulance Service

2023/24 Annual Audit Report to the Board and the Auditor General for Scotland

June 2024



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Key messages

Financial statements audit

Audit opinion	We report unqualified opinions within our independent auditor’s report.
Key audit findings	<p>SAS had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers.</p> <p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p>
Audit adjustments	<p>One audit adjustment has been identified in respect of a misclassification of prepayment for insurance claims between prepayments and other receivables.</p> <p>One unadjusted misstatement has been identified in respect of the reversal of an accrual recognised for cylinder losses.</p> <p>Details of the adjustments made to the financial statements, along with unadjusted errors are noted at Appendix 2.</p> <p>We identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.</p>
Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess SAS’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. No material weaknesses or significant deficiencies were noted.</p>

The wider scope of public audit

Financial Management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Auditor judgement

Risks exist to the achievement of operational objectives



SAS continues to have effective arrangements in place for financial management.

SAS met its key financial targets in the year, delivering an underspend against its revenue resource limit and its capital resource limit. A savings target of £12million was set for 2023/24 and SAS achieved the delivery of these, primarily through best value programmes and local efficiency plans.

Deficit positions were forecast in each Summary Financial Performance Report presented to the Board. By the end of the financial year, SAS had reduced the forecast deficit position to only reflect system and COVID-19 pressures. In March 2024, Scottish Government provided an additional £8million of non-recurring funding to cover the system pressure and COVID-19 expenditure. This contributed to SAS achieving a small year-end surplus position.

We found that SAS's NFI arrangements require improvement in relation to the timeliness of investigating and closing down payroll matches.

Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.

Auditor judgement

Significant unmitigated risks affect achievement of corporate objectives



SAS continues to have good arrangements in place for short and medium term financial planning. SAS continues to work towards the achievement of a long term sustainable financial position.

The financial position for SAS is challenging as it is forecasting a best case scenario of a deficit position of £5.1million, a likely scenario of a deficit position of £11.9million and worst case scenario of a deficit position of £15.5million by 2026/27. This budget gap is inclusive of a challenging savings target of £36million over the three year forecast period.

Scottish Government have communicated to SAS that if the financial position does not improve from the 2023/24 financial plan, the Service would move into enhanced monitoring in line with the Scottish Government's financial escalation plan. SAS has developed an escalation recovery plan to mitigate the risk of moving up the Scottish Government's escalation process to implement if the financial position deteriorates.

The emerging and uncertain impact on SAS's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk for 2024/25 and beyond and requires continuing careful management and oversight.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

The Board’s Blueprint for Good Governance improvement plan was formally approved by the Board in the April 2024 Board development session and submitted to Scottish Government thereafter. Monitoring of the development plan will be undertaken by a newly established Integrated Governance Committee, which in turn will report to the Board on a regular basis.

Appropriate arrangements are in place to oversee the delivery of the 2030 Strategy and that delivery plans are progressing at a good pace.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to achievement of operational objectives



SAS continue to have appropriate performance management processes in place that support the achievement of value for money. Performance in 2023/24 for 84% of KPIs has improved, 3% of KPIs were consistent with the prior year and 13% worsened compared to 2022/23 performance. This represents a high level of performance in the context of ongoing service demand pressures across the health service.

SAS has recognised that the two challenging areas of performance relate to scheduled care and the level of emergency patients managed at point of call or on scene. SAS are developing a number of initiatives to focus on improved performance in this area and is working with partner organisations across the NHS to support improvement.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

The annual audit comprises the audit of the financial statements and other reports within the annual report and accounts, and the wider-scope audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Risk Committee at the outset of our audit. We presented an update to the risks outlined in that plan to management and the Audit and Risk Committee in May 2024.

Responsibilities

SAS is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging



good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>The annual report and accounts were considered by the Audit and Risk Committee on 13 June 2024 and approved by the Board on 26 June 2024.</p> <p>We have issued unqualified audit opinions.</p>
Going concern basis of accounting	<p>When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise SAS's functions.</p> <p>Our wider scope audit work considers the financial sustainability of SAS.</p>	<p>We reviewed the financial forecasts for 2024/25. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the SAS will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.</p>
Regularity of income and expenditure	<p>We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.</p>	<p>We did not identify any instances of irregular activity.</p> <p>In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and</p>

Opinion	Basis for opinion	Conclusions
		guidance issued by the Scottish Ministers.
<p>Opinions prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> • The audited part of the Remuneration and Staff Report • Performance Report • Governance Statement 	<p>We plan and perform audit procedures to gain assurance that the audited part of the Remuneration and Staff Report, Performance Report and Governance Statement are prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the audited parts of the Remuneration and Staff Report have been properly prepared. • the information given in the performance report is consistent with the financial statements and has been properly prepared. • the information given in the Governance Statement is consistent with the financial statements and our understanding of the organisation gained through our audit.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit; or there has been a failure to achieve a prescribed financial objective. 	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in January 2024. We presented an update to the risks outlined in that plan to management and the Audit and Risk Committee in May 2024. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SAS. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. This includes:

- An evaluation of the Board and group’s internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including procedures outlined in this report in relation to our key audit risks.

Quality indicators

- We have applied a suite of quality indicators to assess the reliability of the financial reporting and response to the audit.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
Quality and timeliness of draft financial statements	Mature	We received the unaudited financial statements of a good standard in line with our audit timetable. Revisions were provided promptly where required.
Quality of working papers provided and adherence to timetable	Mature	We received working papers of a good standard in line with our audit timetable. Further information was provided promptly where required.
Timing and quality of key accounting judgements	Mature	We did not identify any issues with the timing and quality of key accounting judgements.
Access to finance team and other key personnel	Mature	We received full access to the finance team and other key personnel. All audit queries and requests were responded to in a timely manner.
<p>Quality and timeliness of the</p> <ul style="list-style-type: none"> • audited part of the Remuneration and Staff Report • Performance Report • Governance Statement <p>As well as the quality and timeliness of</p>	Mature	<p>We did receive the audited part of the Remuneration and Staff Report late. This was due to delays with SPPA providing CETV calculator information and this issue impacted all NHS Scotland Boards. We are satisfied that SAS did all that they could to mitigate this delay.</p> <p>We did not identify any other issues with quality and timeliness of the audited part of the Remuneration and</p>

Metric	Grading (Mature / developing / significant improvement required)	Commentary
supporting working papers for those statements.		Staff Report, Performance Report and Governance Statement.
Volume and magnitude of identified errors	Mature	We identified one audit adjustment and one unadjusted misstatement. This is an improved position from the previous year and is in line with our expectations.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures are designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

The table below summarises the significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Risk area	Fraud risk	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Yes	Assess design & implementation	Low	No adjustment
Fraud in revenue recognition	Yes	Assess design & implementation	Low	Non-material adjustment for Misclassification of prepayment for insurance claims between prepayments and other receivables.
Fraud in non-pay expenditure recognition	Yes	Assess design & implementation	Low	No adjustment
Valuation of land and buildings	No	Assess design & implementation	High	No adjustment
Provisions	No	Assess design & implementation	High	No adjustment

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
Significant risk description	Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Risk area	Management override of controls
	<p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement: Very High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals. • Tested high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the SAS’s journals policy. • Gained an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Key observations</p>	<p>We have not identified any indication of management override of controls in the year. We did not identify any</p>

Risk area	Management override of controls
	areas of bias in key judgements made by management and judgements were consistent with prior years.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
<p>Significant risk description</p>	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed, inherent risk on every audit unless it can be rebutted.</p> <p>The presumption is that SAS could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>In respect of Scottish Government funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate revenue of this nature. The risk of fraud in relation to revenue recognition is however present in all other income streams.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement:</p> <p>Revenue (occurrence): High</p>

Key risk area	Fraud in revenue recognition
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of SAS’s systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtained evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively tested material income streams using analytical procedures and sample testing of transactions recognised for the year.
<p>Key observations</p>	<p>At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for SAS’s revenue resource allocation from Scottish Government. Our conclusion remained the same throughout the audit.</p> <p>Based on audit work performed, we gained reasonable assurance on the occurrence of income and we are satisfied that income is fairly stated in the financial statements.</p>
Key risk area	Fraud in non-pay expenditure recognition
<p>Significant risk description</p>	<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>

Key risk area	Fraud in non-pay expenditure recognition
	<p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement:</p> <p>Non-pay expenditure (completeness): High</p> <p>Accruals (completeness): High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of SAS’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtained evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively tested material expenditure streams using analytical procedures and sample testing of transactions recognised for the year. • Reviewed accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
<p>Key observations</p>	<p>Based on the audit work performed, we have gained reasonable assurance on the completeness of expenditure and we are satisfied that expenditure is fairly stated in the financial statements.</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
<p>Significant risk description</p>	<p>SAS held land and buildings with a net book value of £24.862million at 31 March 2023, with valuations of all land and building assets reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of SAS’s asset base represents an increased risk of misstatement in the financial statements.</p> <p>As part of our audit procedures, we further pinpointed the risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p>As part of this pinpointing exercise, we did not identify any instances where the asset in-year valuation movements fell outwith our expectations. We have therefore rebutted the significant risk of valuation of land and buildings.</p>

Key risk area	Provisions (key accounting estimate)
<p>Significant risk description</p>	<p>The financial statements include provision for legal obligations in respect of:</p> <ul style="list-style-type: none"> • Clinical and medical obligations; • Participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme); and • Pensions and similar obligations. <p>There is a significant degree of subjectivity in the measurement and valuation of these provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p> <p>Inherent risk of material misstatement:</p> <p>Provisions (valuation): High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Reviewed management’s estimation for the provision and related disclosures. • Considered compliance with the requirements of the FReM and NHS Manual for Accounts. • Considered the competence, capability and objectiveness of the management expert.
<p>Key observations</p>	<p>We have reviewed management’s estimations and related disclosures and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.</p> <p>We reviewed the key estimates and judgements that management made in respect to the provisions for any indication of bias and assessed whether the judgements used by management are reasonable. We have concluded that estimates and judgements are Balanced.</p> <p>Provision for clinical and medical obligations</p>

Key risk area	Provisions (key accounting estimate)
	<p>We are satisfied that the amount recognised as a provision appropriately reflects the amounts notified by the Central Legal Office (CLO). We have assessed management’s estimation technique for the provision and related disclosures and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.</p> <p>Audit Scotland undertake an annual review of the work carried out by the CLO to establish the extent to which the information they provide as a management expert can be used as audit evidence under ISA (UK) 500 and evaluate the appropriateness of the methodology adopted by Scottish Government to estimate the total national obligation. Audit Scotland has concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information.</p> <p>Provision for Pensions and similar obligations</p> <p>The Board meets the additional costs of benefits beyond the NHS Superannuation Scheme in respect of employees who retire early by paying the required amounts on an annual basis over the period between early departure and normal retirement date. The Board provides for this cost in full with payments estimated using inflation and discount rates provided by HM Treasury.</p> <p>We have reviewed management’s estimations and related disclosures and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts. Overall the year end balance of the provision is in line with our expectation.</p>

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor’s report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of SAS and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to SAS and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the group financial statements was £8.924million and SAS’s financial statements was £8.922million. On receipt of the 2023/24 unaudited annual accounts, we reassessed materiality and kept it at the same level as our initial assessment. We consider that our updated assessment has remained appropriate throughout our audit.

	Group £million	SAS £million
Overall materiality for the financial statements	8.924	8.922
Performance materiality (75% of materiality)	6.693	6.692
Trivial threshold	0.300	0.300

Materiality

Our assessment is made with reference to the group and SAS’s gross expenditure. We consider this to be the principal consideration for users of the annual accounts when assessing financial performance.

Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2023/24 unaudited annual report and accounts.

In performing our audit, we apply a lower level of materiality to the audit of the Remuneration & Staff Report and Related Parties disclosures.

For the Remuneration & Staff Report we consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards we consider the significance of the transaction with regard to both

<p>Performance materiality</p>	<p>SAS and the Counter party, the smaller of which drives materiality considerations on a transaction by transaction basis.</p> <p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<p>Trivial misstatements</p>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Group audit

SAS prepares its annual report and accounts on a group basis. The group consists of Scottish Ambulance Service (SAS) and Scottish Ambulance Service Endowment Fund.

As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below sets out the components within the group.

As set out in our External Audit Plan we did not identify any components to be significant in the context of the group audit except SAS. We revisited our assessment, following receipt of the unaudited accounts and our assessment remained the same.

Component	Significant	Level of response required
Scottish Ambulance Service	Yes	Comprehensive
Scottish Ambulance Service Endowment Fund	No	Analytical

Comprehensive - The component is of such significance to the group as a whole that an audit of the components financial statements is required for group reporting purposes.

Analytical - the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

Scottish Ambulance Service Endowment Fund is fully consolidated. We did not consider the subsidiary to be of individual financial significance to the group or to include a significant risk of material misstatement to the group financial statements.

As part of our audit we reviewed the consolidation entries made within the group accounts and confirmed those entries back to the financial statements

Audit differences

Audit differences, both adjusted and unadjusted, we identified during the audit are detailed in Appendix 2.

We also identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these in these at Appendix 3. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Service auditor reports

The Board utilise a number of shared IT systems, IT applications and processes with other Scottish Health Boards. Assurance reports are prepared by service auditors in the health sector under ISAE (UK) 3402 covering the national systems/arrangements.

Shared service	Service assurance
<p>National IT contract</p> <p>This contract covers the services provided by ATOS IT Services UK Limited e.g. controls over the principal IT service delivery supporting eFinancials.</p>	<p>NHS National Services Scotland (NSS) procures a service auditor report from PwC. PwC reported a qualified audit opinion in relation to review of access controls, no actual breaches were noted. We have considered the findings of the report, and additional assurances sought by management from the service provider and are satisfied that the findings do not represent a material risk to our audit approach or conclusions.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran provide the eFinancials service with the IT service delivery being provided via the 'National IT contract' including the Real Asset Management system on behalf of all Scottish Health Boards</p>	<p>NHS Ayrshire and Arran procure a service auditor report from BDO. The service auditor report highlighted no critical or significant risk findings and reported an unqualified opinion.</p>
<p>Provision of payroll services</p> <p>National Services Scotland (NSS) provide payroll services for NHS Lothian, NHS Fife, NHS Forth Valley and the Scottish Ambulance Service.</p>	<p>NHS National Services Scotland (NSS) procures a service auditor report from PWC. PWC reported an unqualified audit opinion. We have considered the findings of the report and are satisfied that the findings do not have a material impact on our audit approach or conclusions.</p>

Follow up of prior year recommendations

We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 4.

Other communications

Other areas of focus

Area of focus	Audit findings and conclusion
<p>Significant matters on which there was disagreement with management</p>	<p>There were no significant matters on which there was disagreement with management.</p>
<p>Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts</p>	<p>There were no significant management judgements which required additional audit work, where there was disagreement over the judgement or where the judgement is significant enough that requires reporting.</p>
<p>Prior year adjustments identified</p>	<p>There were no prior year adjustments identified.</p>
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target 	<p>No concerns were identified in relation to these areas.</p>

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by SAS.

The accounting policies, which are disclosed in the financial statements, are in line with the NHS Accounts Manual and are considered appropriate.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements.

Consideration was given to asset valuations, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts, IFRS 16 implementation and accruals. Other than asset valuations and provisions we have not determined the accounting estimates to be significant. See Significant risks at the assertion level for classes of transaction, account balances and disclosures section above for detailed findings in relation to key accounting estimates.

We reviewed the key estimates and judgements that management made in respect to the identified key accounting estimates for indication of bias and assessed whether the judgements used by management are reasonable. Overall, we concluded that for those key accounting estimates they were balanced and appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit and Risk Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting SAS. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We have issued the final letter of representation to the Board to sign at the same time as the financial statements are approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

The wider scope of public audit

Financial Management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Auditor judgement

Risks exist to the achievement of operational objectives



SAS continues to have effective arrangements in place for financial management.

SAS met its key financial targets in the year, delivering an underspend against its revenue resource limit and its capital resource limit. A savings target of £12million was set for 2023/24 and SAS achieved the delivery of these, primarily through best value programmes and local efficiency plans.

Deficit positions were forecast in each Summary Financial Performance Report presented to the Board. By the end of the financial year, SAS had reduced the forecast deficit position to only reflect system and COVID-19 pressures. In March 2024, Scottish Government provided an additional £8million of non-recurring funding to cover system pressure and COVID-19 expenditure. This contributed to SAS achieving a small year-end surplus position.

We found that SAS's NFI arrangements require improvement in relation to the timeliness of investigating and closing down payroll matches.

Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.

Auditor judgement

Significant unmitigated risks affect achievement of corporate objectives



SAS continues to have good arrangements in place for short and medium term financial planning. SAS continues to work towards the achievement of a long term sustainable financial position.

The financial position for SAS is challenging as it is forecasting a best case scenario of a deficit position of £5.1million, a likely scenario of a deficit position of £11.9million and worst case scenario of a deficit position of £15.5million by 2026/27. This budget gap is inclusive of a challenging savings target of £36million over the three year forecast period.

Scottish Government have communicated to SAS that if the financial position does not improve from the 2023/24 financial plan, the Service would move into enhanced monitoring in line with the Scottish Government's financial escalation plan. SAS has developed an escalation recovery plan to mitigate the risk of moving up the Scottish Government's escalation process to implement if the financial position deteriorates.

The emerging and uncertain impact on SAS's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk for 2024/25 and beyond and requires continuing careful management and oversight.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

The Board’s Blueprint for Good Governance improvement plan was formally approved by the Board in the April 2024 Board development session and submitted to Scottish Government thereafter. Monitoring of the development plan will be undertaken by a newly established Integrated Governance Committee, which in turn will report to the Board on a regular basis.

Appropriate arrangements are in place to oversee the delivery of the 2030 Strategy and that delivery plans are progressing at a good pace.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to the achievement of operational objectives



SAS continue to have appropriate performance management processes in place that support the achievement of value for money. Performance in 2023/24 for 84% of KPIs has improved, 3% of KPIs were consistent with the prior year and 13% worsened compared to 2022/23 performance. This represents a high level of performance in the context of ongoing service demand pressures across the health service.

SAS has recognised that the two challenging areas of performance relate to scheduled care and the level of emergency patients managed at point of call or on scene. SAS are developing a number of initiatives to focus on improved performance in this area and is working with partner organisations across the NHS to support improvement.

Financial management

Significant audit risk

Our audit plan identified a significant risk in relation to financial management under our wider scope responsibilities:

Financial management

In March 2023, SAS approved the 2023/24 financial plan which showed a forecasted funding gap of £19million after achieving an already ambitious savings target totalling £12million.

The latest forecast (October 2023) projects a deficit of £12.5million for the 2023/24 financial year, primarily resulting from external operational and inflationary pressures. Achievement of the forecasted position is dependent on delivery of the challenging £12million savings target in full, which SAS reports it is on track to achieve.

There is a continued risk that the 2023/24 financial target will not be achieved and that additional funding may be required to achieve financial targets.

Our detailed findings on SAS's approach to identifying and responding to financial challenges that have occurred during the year are set out below.

Financial performance 2023/24

All Boards typically have to work within the resource limits and cash requirements set by the Scottish Government.

All key financial targets were met in 2023/24. SAS made a saving against its core revenue resource limit of £0.029million.

Performance against resource limits 2023/24

Financial target	Limit £000	Actual £000	Variance £000
Core revenue resource limit (RRL)	406,551	406,522	29
Non-core revenue resource limit	28,557	28,557	-
Capital resource limit (CRL)	33,520	33,518	2
Cash requirement	438,815	438,815	-

Financial Outturn

At the outset, SAS forecasted a funding gap of £19million after the achievement of a challenging savings target of £12million in full.

Deficit positions were forecast in each Summary Financial Performance Report presented to the Board. During the year the full year forecast was reduced from £19million to £12.5 million, primarily due to the impact of the back to balance work and additional non-recurring funding of £5 million received from Scottish Government. Following the December financial position this was further reduced to £9.5million and finally reduced to a forecast £8million full year deficit which solely reflected system and COVID-19 pressures.

SAS maintained close communication with the Scottish Government during this period of significant in-year financial challenge. In March 2024, Scottish Government provided an additional £8million of non-recurring funding to cover system pressure and COVID-19 expenditure. This contributed to SAS achieving a small year-end surplus position.

Financial impact of the COVID-19 pandemic

The 2023/24 financial plan recognised that COVID-19 costs were not expected to reduce primarily due to the necessity for the service to continue with increased staffing within the Ambulance Control Centres to meet the increased demand in

emergency calls, the impact on increased overtime as a result of shift overruns from turnaround times and staff absence, and the need for the timed admissions development. The Scottish Government advised that these measures are required to remain in place, meaning that these pressures will continue to impact on the financial position of SAS.

As a result, the key components driving the revised £8million full year forecast deficit were as follows:

- £4.0 million additional costs of extended hospital turnaround times
- £1.5 million additional ambulance control staff to meet increased demand and;
- £3.8 million additional card 46 / timed admissions resources supporting A&E demand.

SAS has committed to continue to work closely with the Scottish Government to identify and monitor any change areas of current COVID-19 and system pressures expenditure including the expected operational services impact of any changes alongside seeking additional funding to cover these ongoing pressures going forward.

Efficiency savings

At the outset, in line with Scottish Government’s Sustainability and Value programme, SAS’s 2023/24 financial plan included plans in place to deliver 3% of savings (£12million). As highlighted in exhibit 1, SAS achieved the delivery of these savings in full, primarily through best value programmes and local efficiency plans.

Exhibit 1- Achievement of 2023/24 savings target

Plan	Financial Plan £000.	Actual £000	Variance £000
Local Efficiency Plans	3,400	4,209	809
Best Value Programme- National	3,744	6,954	3,210
Grip and Control	1,000	837	(163)
Unidentified	3,856	0	(3,856)
Total	12,000	12,000	0

Source: Summary Financial Performance to 31 March 2024- May 2024

The 2023/24 financial plan also included the assumption that 70% of savings achieved would be recurring. SAS also achieved this target which represents a significant improvement from the 2022/23 position where only 43% of efficiency savings were achieved on a recurring basis.

Despite SAS achieving a strong position against a challenging savings target for 2023/24, significant focus remains on implementing, tracking and reporting on efficiency savings programmes through the best value governance and escalation processes. SAS also remain committed to embedding a culture of focus for staff and management on service quality improvements in support of pressures identified in 2024/25 onwards.

Capital programme

SAS reported a small underspend of £0.02million against its capital resource limit (CRL) of £33.520million.

The Service received a recurring capital allocation of £1.794million. Additional earmarked allocations were received in 2023/24 in relation to the Fleet Replacement Programme (£17.427million), Scotstar (£0.250million), fleet decarbonisation (£0.497million) and IFRS 16 right of use assets (£13.552million).

Internal audit

An effective internal audit service is an important element of a Board's overall governance arrangements. SAS's internal audit service is provided by KPMG. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of SAS's total audit resource.

Prevention and detection of fraud and irregularity

We found SAS's arrangements for the prevention and detection of fraud and other irregularities to be adequate.

Regular updates on fraud related matters (including Counter Fraud Services updates), and the National Fraud Initiative (NFI) are presented to the Audit Committee.

National fraud initiative

The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error. The most recent NFI exercise commenced in 2022, with matches received for investigation from January 2023.

SAS investigated and closed off all creditor matches with no fraud identified. However, very limited payroll activity occurred during the exercise due to resourcing changes and constraints within the payroll team. In February we set a deadline with

SAS that all matches would be investigated and closed down by May 2024 at the latest. At the time of writing, there are a number of matches which remain under investigation and are not yet closed down.

We found that SAS's NFI arrangements require improvement in relation to the timeliness of investigating and closing down payroll matches.

Recommendation 1

Financial sustainability

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

SAS's latest medium term financial plan was approved by the Board in March 2023.

The financial plan showed a cumulative financial gap of £27.75million over the period 2023/24 to 2024/25 with a breakeven position forecast for 2025/26. This budget gap is inclusive of a challenging savings target of £36million over the three year forecast period, with the assumption that 70% of savings will be recurring.

The 2024/25 first pass budget was presented to the Board in November 2023. The budget showed a forecasted likely case scenario of a £16.8million deficit position after taking into account unfunded operational pressures and post COVID-19 costs. The challenging financial position for 2024/25 will form part of the updated medium term financial plan which is due to be considered by the Board in March 2024.

SAS continues to face challenges in achieving financial balance due to a mix of COVID-19 legacy and more general pressures on the health service. SAS's ability to develop and maintain its core services and new initiatives in a sustainable manner remains a significant challenge and risk.

Our detailed findings on SAS's financial framework for achieving long term financial sustainability are set out below.

2024/25 Financial Plan

SAS presented the 2024/25 financial plan to the Board in March 2024 for scrutiny and approval. The financial plan for 2024/25 shows a forecast funding gap of £18.35million.

The following financial pressures / risks are highlighted in the 2024/25 financial plan:

- Delivery of efficiency savings;
- COVID/system costs and funding;
- Pay pressures- impact of agenda for change pay deals; and
- Operational Pressures funding.

SAS continues to monitor financial pressures and risks in the delivery of the financial plan on an ongoing basis through the Summary Financial Performance Reports presented and scrutinised at each Board meeting and the Board Corporate Risk Register.

Exhibit 2: 2024/25 deficit position

	2024/25 £m
Deficit brought forward	8.0
Pressures- Pay	7.7
Pressures- Non Pay	9.55
Baseline Funding Uplift	(7.0)
Net Gap	18.25
Efficiency Savings	12.0
Gap after 3% efficiencies implemented	6.25 deficit
Operational commitments unfunded gap	3.1
COVID and related system pressures	9.0

	2024/25 £m
Total deficit in 24-25	18.35 deficit

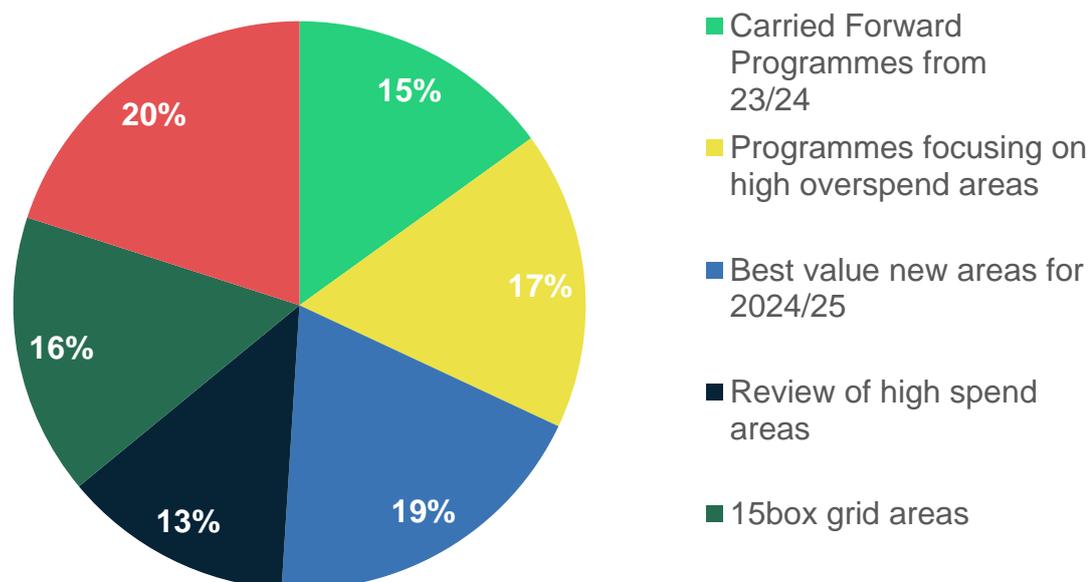
Source: Financial Plan 2024/25- 2026/27- March 2024

Savings plan

Delivery of savings is a fundamental component of achieving financial balance. For 2024/25, SAS has a £12million (3% efficiency savings) savings target in line with the previous year. This target continues to be in line with Scottish Government financial planning.

As detailed in the financial management section, in 2023/24, SAS achieved their £12million savings target in full, with 70% of these savings being recurring in nature. The target within their financial plan for 2024/25 is to achieve the full £12million savings target on a recurring basis, in line with Scottish Government’s financial planning expectations to deliver 3% recurring savings each year. This represents a challenging position to achieve and slippage against this target could present additional pressures on the future financial position of SAS and therefore requires careful management.

Exhibit 3: 2024/25 Identified Savings



Source: Best Value Update- April 2024

The Best Value paper presented to the April 2024 Audit and Risk Committee meeting highlighted that only £9.1million of the £12million 2024/25 efficiency savings target detailed within the financial plan has been identified. Work is ongoing with budget holders to develop local plans to quantify the level of unidentified savings and we encourage this work to be completed as a matter of priority.

Financial impact of the COVID-19 pandemic

The 2024/25 financial plan identified forecasted COVID-19 unfunded pressures of £9.0million. This represents a small reduction from the 2023/24 financial plan position of £10.5million.

SAS has continued to work with the Scottish Government to seek further funding to support the £9million unfunded pressures identified in the 2024/25 financial plan. Scottish Government have recognised that, whilst the scale of COVID-19 costs has reduced there are still specific legacy costs that will require additional funding support for 2024/25. This includes funding for:

- Vaccinations staffing and delivery;
- Test & Protect activities including Regional Testing facilities;
- Additional PPE requirements; and
- Some specific Public Health measures.

SAS has recognised within their medium term financial plan that if COVID-19 and system pressures cannot be mitigated or funded then they may require to deliver a savings target of more than 3% to bridge the funding gap. This represents a challenging position for SAS who has recognised that this position has a high chance of impacting on the quality of patient care.

Medium Term Planning

SAS's medium term financial plan (2024/25 to 2026/27) was submitted to the Scottish Government in line with set deadlines and approved by the Board in March 2024.

Given the current uncertainty and financial challenges across the whole health and Care system, the medium term financial plan was modelled over a range of scenarios. This scenario planning presents best, likely and worse case scenarios over the planning period to 2026/27. The achievable financial positions under each scenario are as follows:

- Best case scenario- deficit position of £5.1million by 2026/27.
- Likely scenario- deficit position of £11.9million by 2026/27.
- Worst case scenario- deficit position of £15.5million by 2026/27.

The financial gap positions are after inclusion of a challenging savings target of £36million (3% per year target) over the three year period.

The Scottish Government provided feedback to NHS Boards on their medium term financial plan in April 2024. The feedback letter identified the next step actions for SAS to undertaken by the end of June 2024, as detailed in exhibit 4.

Exhibit 4- Feedback from Scottish Government and SAS Action Points

Feedback from Scottish Government	SAS Actions in progress
Develop options to meet any unidentified or high risk savings balances.	Rapid work in place identifying actions and savings for those efficiency plans that have not yet got a final plan in place, including <ul style="list-style-type: none"> • Work on medical gases • Health and safety in reducing claims • Occupational health review • Local efficiency plans
Continue to progress with the areas of focus set out in the 15 box grid to support the minimum 3% recurrent savings target.	This is currently in place – areas being explored in partnership are <ul style="list-style-type: none"> • Clear reduction in sickness absence in 2024/25
Engage and take proactive involvement in supporting national programmes as they develop in 2024-25.	Ongoing with the Director of Finance and the Deputy Director of Finance attending the relevant groups and feeding back actions to the monthly Best Value Steering Group.
Develop further measures to reduce the Board’s residual financial gap.	<ul style="list-style-type: none"> • Contract review processes including recent external report • Enhanced overtime reporting estimates • Enhanced Budget reporting– increasing grip and control • Escalation plan in place

Feedback from Scottish Government	SAS Actions in progress
Provide an update on the financial risks outlined within the financial plan to assess likelihood of these materialising and the impact these could have on the Board's outturn.	Actions updated on a monthly basis for the risk register, and further quantification and scenarios being developed.

Source: Summary Financial Performance to 31 March 2024- May 2024

We are satisfied that SAS has made good progress in reflecting Scottish Government feedback in its medium term financial plan progress and are currently on track to provide feedback on their progress made the actions by the end of June 2024.

Scottish Government have communicated to SAS that if the financial position does not improve from the 2023/24 financial plan the Service would move into enhanced monitoring in line with the Scottish Government’s financial escalation plan.

SAS has developed an escalation recovery plan to mitigate the risk of moving up the Scottish Government’s escalation process. The plan describes the recovery actions that SAS would put in place if a deterioration in the financial plan position occurred and recognises that the financial risk in achieving balance needs to be balanced against the impact on the service, patient care and workforce.

The emerging and uncertain impact on SAS’s finances and ability to deliver services in a sustainable manner remains a significant challenge and risk for 2024/25 and beyond and requires continuing careful management and oversight.

Vision, leadership and governance

Leadership

The following changes in board composition occurred during the year:

- Two non-executive members (John McGuigan and Francis Tierney) left the board during 2023/24 and were replaced by Michael McCormick and Maggie Watts.
- The employee director, John Riggins, left during 2023/24 and was replaced by Steven Gilroy.

All new Board members were provided with an induction programme prior to their first Board meeting. Members were also provided with an induction pack which covered areas including an introduction to the Board and governance structure, code of conduct, standing orders and health and social care integration.

We reviewed the induction process and concluded that it provides those charged with governance with the information and platform to do so effectively.

In addition, the Board held regular development sessions during 2023/24. From review of the Board development sessions, we have concluded that it provides those charged with governance with the information and platform to continue to discharge its responsibilities effectively.

Governance arrangements

The Board is responsible for ensuring the overall governance of SAS. In driving forwards the strategic direction of SAS and ensuring the governance framework is operating as intended, the Board continues to be supported by four committees:

- Audit and Risk Committee;
- Staff Governance Committee;
- Remuneration Committee; and
- Clinical Governance Committee.

Board and Committee meetings

Board and Committee meetings have continued to be held virtually rather than in person, to date, and the preferred mechanism is now through MS Teams, in line with other NHS Boards. Board development sessions continue to be held in person.

Throughout 2023/24, the Board has been able to maintain all aspects of board governance, including its regular schedule of Board and Committee meetings.

Through our review of committee papers we are satisfied that there continues to be effective scrutiny, challenge and informed decision making through the financial period.

Blueprint for Good Governance

The refreshed Blueprint for Good Governance (second edition) was published by the Scottish Government in December 2022. The second edition of the Blueprint builds on the original guidance issued by Scottish Government in 2019 and sets out the methodology for assessing the effectiveness of the healthcare governance system against the principles of good governance.

The Blueprint sets an expectation that each Board's governance arrangements will be subject to a systematic evaluation annually via a self-assessment exercise and an external evaluation once every three years. The first self-assessment exercise was undertaken by the Board in November 2023 where all Board members completed the survey. A dedicated facilitated session took place in April 2024 which looked in detail at the results of the self-assessment. During the session the Board highlighted areas where they perform well along with areas and suggested actions for improvement and development. The outputs from the session were then developed into a draft improvement plan which contains 6 actions.

The Board's improvement plan was formally approved by the Board in the April 2024 Board development session and submitted to Scottish Government thereafter. A series of actions were identified, which were grouped between newly developed focus actions and continued focus actions. Monitoring of the development plan will be undertaken by a newly established Integrated Governance Committee, which in turn will report to the Board on a regular basis.

Strategy 2030

SAS launched its 2030 Strategy in September 2022.

The strategy recognises the challenges currently faced within the NHS sector and is built upon how SAS has changed how it delivers services, the lessons learned and the positive whole system changes made throughout their response to the COVID-19 pandemic.

The strategy takes cognisance of SAS's overarching vision, mission values and principles and is structured under six strategic ambitions:

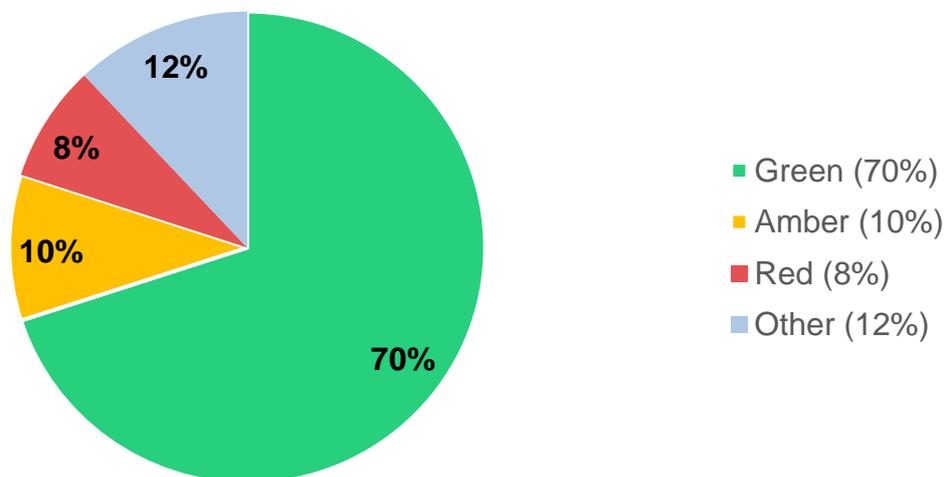
- We will provide the people of Scotland with compassionate, safe and effective care where and when they need it.
- We will be a great place to work focusing on staff experience, health and wellbeing.
- We will innovate to continually improve our care and enhance the resilience and sustainability of our services.

- We will work collaboratively with citizens and our partners to create healthier and safer communities.
- We will improve population health and tackle the impact of inequalities.
- We will deliver our net zero climate targets.

For each strategic ambition, SAS identified a series of specific actions and delivery plans. Five portfolio boards have been established to take forward the delivery plans for each strategic ambition.

Progress in achieving the delivery plans has continued to be presented to each Board meeting during 2023/24. The progress report presented to the May 2024 Board meeting highlighted that good progress is being made across all portfolios and where impacts on delivery timelines have been identified due to operational pressures or other factors, mitigating action have been put in place to reduce slippage and bring those particular projects back on track. As detailed in exhibit 5, 70% of projects were awarded a green RAG status, 10% amber RAG status, 8% red RAG status and 12% other status. Projects provided with an 'other' status represent projects which are all in planning or early scoping stages.

Exhibit 5: 2030 Strategy Project Status



Source: Delivering our 2030 Strategy Update- May 2024

We are satisfied that appropriate arrangements are in place to oversee the delivery of the 2030 Strategy and that delivery plans are progressing at a good pace.

Use of resources to improve outcomes

Performance Management Arrangements

Performance management framework

SAS has developed a performance management framework which comprises updates on key performance indicators (KPIs) at each meeting of the Performance and Planning Steering Group in a balanced scorecard format and a more detailed report presented at each Board meeting.

On an annual basis, the executive team review the KPIs and targets to ensure they remain appropriate. The latest review was undertaken in April 2024 to inform the 2024/25 performance targets which highlighted a need to develop measures which align to Scotland's strategic health and care aims, SAS's clinical response categories and the overarching aims of the 2030 Strategy.

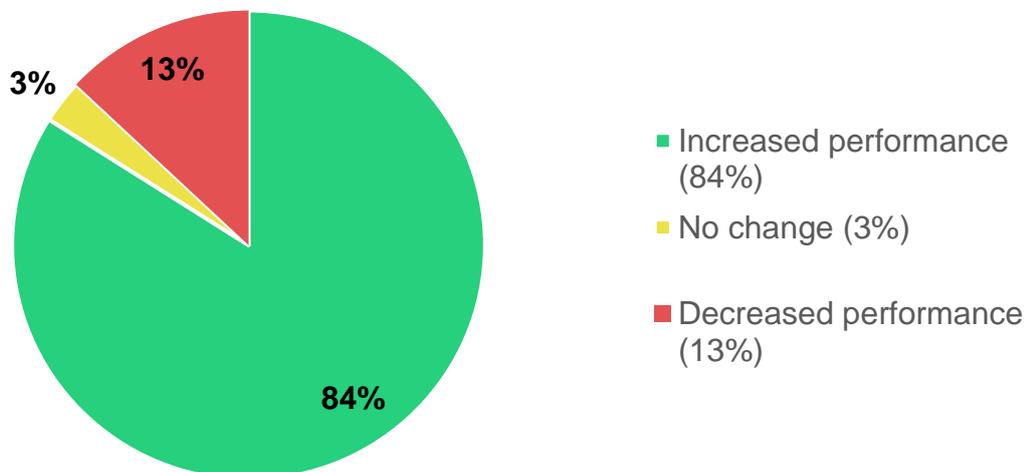
The Board Quality Indicators Performance Report presented to the May 2024 Board meeting highlighted the key areas of future development of performance measures for SAS which includes enhancing performance detail for each group of patients including patients at high risk of acute deterioration patients (red coded conditions) requiring further specialist intervention (amber coded conditions) and non-emergency patients. In addition, indicators in relation to staff health and wellbeing are currently being reviewed and additional measures added when these are developed.

Through review of Board papers, we concluded that performance is given the appropriate level of scrutiny and challenge.

Performance in 2023/24

Our analysis at Exhibit 6 shows an improvement in performance compared to the prior year. Performance for 84% of KPIs has improved, 3% of KPIs were consistent with the prior year and 13% worsened since 2022/23.

Exhibit 6: March 2023 Balanced Scorecard



Source: Performance Indicators- May 2024

The four KPIs where performance reported was lower than the 2022/23 position are as follows:

- PTS Punctuality for Inward Journey: actual 72.9% (73.2% in 2022/23).
- PTS Punctuality for Outward Journey: actual 82.3% (82.5% in 2022/23).
- PTS Cancelled by SAS No Resource: actual 1.5% (0.9% in 2022/23).
- Emergency patients managed at point of call or on scene: actual 47.3% (48.6% in 2022/23).

A significant amount of work is ongoing at SAS to support patients receiving the right care in the right place including work within Ambulance Control Centres, where the Integrated Clinical Hub is being optimised. Key workstreams to optimise patient flow between urgent and emergency care providers are progressing, where SAS are working closely with NHS24 to improve patient experience when calls move between the organisations, to reduce duplication, and ensure that people receive a person-centred experience. This includes testing new ways of working with GP out-of-hours services where patient need would be best met by these providers.

SAS recognise and understand that well-coordinated transportation can positively impact people who require assistance travelling to hospital appointments and services such as day centre. SAS are currently developing its new Scheduled Care Strategy and have committed to continue collaborating with other organisations, including the Scottish Government, Regional Transport Partnerships, Councils, NHS Boards and the Community Transport Association to effectively provide health and social care transport and improve planning, delivery and impact of transport for health and social care through a joined-up, consistent approach.

Air Ambulance Re-Procurement

SAS is currently undertaking its air ambulance re-procurement project. The Air Ambulance Service, which is funded in its entirety by the Scottish Government, is a vital service for patients living in remote, rural and island communities to and from hospital.

SAS has now chosen their preferred bidder and have formulated the full business case. The full business case was approved by the Board in March 2024 and was then submitted to the Scottish Government for approval through the Capital Investment Group(CIG). This was approved by CIG in May 2024, with the final approval letter from Scottish Government due by mid June 2024. This will then be submitted to the SAS Board in June 2024 to allow formal contract award to be made thereafter. The new contract is expected to commence in June 2026.

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Appendix 1: Responsibilities of SAS and the Auditor

SAS responsibilities

The Code of Audit Practice (2021) sets out the responsibilities of both SAS and the auditor and are detailed below.

Area	SAS responsibilities
Corporate governance	<p>SAS is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>SAS has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position of SAS and its group and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, governance compliance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about SAS and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p>

Area	SAS responsibilities
	<p>SAS is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. SAS is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>SAS is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Financial position</p>	<p>SAS is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best value</p>	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.</p>

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to SAS and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. Through our wider scope audit work, we consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework.

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>

Independence

The Ethical Standards and ISA (UK) 260 require us to give SAS full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our updated External Audit Annual Plan issued confirming audit arrangements we note the following matter to bring to SAS's attention:

The Director of Finance at Scottish Ambulance Service is the parent of an intern employed by Azets. Our compliance team has confirmed that there are appropriate safeguards in place to prevent any conflict with our audit. This employment is with a different part of the business from the public sector external audit team. They have no access to audit files and no involvement in our audit work. Members of staff working on the audit have been instructed not to discuss any aspects of the audit with the employee. We are satisfied these arrangements enable us to confirm our independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

Non-audit services: There are no non-audit services provided to the Board.

Contingent fees: No contingent fee arrangements are in place for any services provided.

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Board, senior management or staff.

Relationships: Other than the disclosure noted above, we have no other relationships with the Board, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Our period of total uninterrupted appointment as at the end of 31 March 2024 was two years.

Audit and non-audit services

The total fees charged to SAS for the provision of services in 2023/24 were as follows:

	2023/24	2022/23
Audit of SAS (Auditor Remuneration)	£103,870	£102,990
Total audit	£103,870	£102,990
Non-audit services	-	-
Total fees	£103,870	£102,990

The audit fees charged reconcile to the fees disclosed in the financial statements.

Appendix 2: Audit differences identified during the audit

We are required to inform the Board of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Material misstatements discovered during the course of our audit and which have been adjusted for are summarised in the table below.

Adjusted misstatements

Details of items corrected following discussions with management are as below.

No	Detail	Assets	Liabilities	Reserves	SoCNE
		Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000
1.	Misclassification of prepayment for insurance claims between prepayments and other receivables	Prepayments: - 2,454 Other Receivables: (2,454)	-	-	-
	Net impact on (income)/expenditure				0
	Net impact on net assets				0

Unadjusted misstatements

Our summary of unadjusted audit differences is presented below. We have discussed these with management and confirmed that all unadjusted differences are collectively and individually under materiality.

No	Detail	Assets	Liabilities	Reserves	SoCNE
		Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000
1.	Reversal of accrual for cylinders loss	-	496	-	(496)
	Net impact on (income)/expenditure				(496)
	Net impact on net assets				496

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by SAS.

We identified a number of reclassification adjustments and some minor presentational issues in SAS's accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

No	Detail
1.	Governance Statement- various minor disclosure points
2.	Accounting Policies- update to remove reference to IFRS 16 transition arrangements
3.	Staff Report- inclusion of sickness absence and trade union facility time disclosures
4.	Annual Report- various minor disclosure points identified from completion of disclosure checklist
5.	Leases- update of split between current and non-current lease liabilities
6.	Losses and special payments- removal of cylinder loss pending Scottish Government approval
7.	Remuneration Report- Updates to 2023/24 and 2022/23 Remuneration Report to reflect national consistency guidance issued by Audit Scotland and NHS Technical Accounting Group (TAG)

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Impact of prior year unadjusted misstatements

The table below sets out the adjustments identified during the prior year audit that were not made within the prior year financial statements. We are satisfied that the prior year unadjusted misstatements were resolved in 2023/24 and do not impact on the current year.

No	Detail	Assets	Liabilities	Reserves	SoCNE
		Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000
1.	Reversal of expenditure accrued for Learning in Practice (LiP) programme (prior year restatement)		3,387		(3,387)
2.	Reversal of expenditure accrued for Learning in Practice (LiP) programme (current year movement in balance)		526		(526)
3.	Recalculation of the holiday pay accrual to include estimated employer pension costs		195		(195)
4.	Recalculation of the injury benefit provision to reflect management's point estimate which was not in line with auditor expectations		(152)		152
5.	Reversal of overstated public sector payables		156		(156)
6.	Reversal of overstated pay arrears accrual		14		(14)
	Net impact on (income)/expenditure				(4,126)

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2023/24 audit.

The recommendations are categorised into three risk ratings:

Key:

- 1. Significant deficiency**
- 2. Other deficiency**
- 3. Other observation**

1. National Fraud Initiative (NFI)	Other deficiency
<p>Observation</p>	<p>The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error. The most recent NFI exercise commenced in 2022, with matches received for investigation from January 2023.</p> <p>SAS investigated and closed off all creditor matches with no fraud identified. However, very limited payroll activity occurred during the exercise due to resourcing changes and constraints within the payroll team. In February we set a deadline with SAS that all matches would be investigated and closed down by May 2024 at the latest. At the time of writing, there are a number of matches which remain under investigation and are not yet closed down.</p> <p>We found that SAS’s NFI arrangements require improvement in relation to the timeliness of investigating and closing down payroll matches.</p>
<p>Implication</p>	<p>There is a risk that instances of fraud exist within SAS’s NFI data.</p>
<p>Recommendation</p>	<p>We recommend that SAS focuses on improving their data timeliness of investigating and closing down payroll matches.</p>
<p>Management response</p>	<p>Management risk assess all of the NFI matches and those high risk areas have been closed. It is however accepted that a number of NFI payroll matches should have been concluded within the timelines. Whilst payroll teams have been under significant pressure, resulting in the delay in closing NFI matches, this is unacceptable and actions will be put in place to mitigate this going forward.</p> <p>Responsible officer: Assistant Director of Finance</p> <p>Implementation date: July 2024</p>

2. Losses and special payments approval		Other deficiency
Observation	As part of our audit work, we identified one case where approval for a loss over £300k was not received in a timely manner. The SAS management team confirmed that this was in part due to SAS requesting the approval from Scottish Government later than anticipated.	
Implication	There is a risk of non-compliance with Scottish Public Finance Manual if approval for losses is not requested and received by SAS in a timely manner.	
Recommendation	We recommend that SAS focuses request approval from Scottish Government for losses and special payments over £300k as soon as practicable after the loss or special payment is identified.	
Management response	<p>Recommendation agreed. Additional approval processes will be put in place recognising the timely approval of Scottish Government.</p> <p>Responsible officer: Head of Finance</p> <p>Implementation date: June 2024</p>	

Appendix 4: Follow up of prior year recommendations

We have followed up on the progress SAS has made in implementing the recommendations raised in previous years.

1. Incorrect receipt of PECOS orders	
Recommendation	We encourage PECOS procedures are reiterated to all staff and compliance is monitored.
Implementation date	June 2023
Complete	PECOS procedures were reiterated to Budget Holders in the summer of 2023. In February 2024, the functionality within the PECOS system that allowed orders to be over-receipted was switched off.

2. Certificates of Assurance	
Recommendation	SAS should review its year-end timetable to ensure certificates of assurance are completed sufficiently early enough to support SAS's assessment of the effectiveness of the system of internal control and governance arrangements.
Implementation date	April 2024
Complete	<p>The Certificates of Assurance were issued as planned in March and all completed certificates were signed and received on schedule ahead of the draft governance statement being prepared for the beginning of audit fieldwork.</p> <p>All signed Certificates of Assurance were received alongside the receipt of the unaudited annual report and accounts.</p>

3. Exit Packages Authorisation	
Recommendation	We encourage management to ensure that all exit packages are authorised in line with the appropriate Scottish Government agreed procedures.
Implementation date	June 2023
Complete	As part of our 2023/24 testing, we confirmed that all exit packages had been appropriately approved in line with Scottish Government agreed procedures.

4. Publication of the Annual Report and Accounts and other documents (recommendation raised in 2021/22)	
Recommendation	The Annual Report and Accounts is an important document to demonstrate financial stewardship and the Board's financial performance during the year. At the time of our audit the Annual Accounts for the year ended 31 March 2021 had not been published on the Board's website. In addition, we found that the Annual Procurement Report and Procurement Strategy for 2020/21 had not been published. It is important to ensure transparency around the use of public funds, that these reports are published on a timely manner through the Boards website. We recommend the Board ensure timely publication of the accounts and procurement documents.
Implementation date	Annual Procurement Report completed and due to be published by July 2023. Procurement strategy update in progress and due to be presented to the Board in September 2023 will be published thereafter.
Complete	We have confirmed that the Board published the 2022/23 audited accounts and procurement documents in a timely manner.

5. Journals documentation (recommendations raised in 2020/21 and 2018/19)	
Recommendation	<p>Through our journals testing it was noted that the authorisation/review of journals is not being consistently applied, with a small number of journals which had not been authorised either prior to or subsequently after being posted to the ledger. Additionally, in a couple of instances, for journals including material accruals such as the Holiday Accrual, the calculations were not subject to scrutiny or secondary review. No errors were noted in relation to these journals, however without secondary review, there is an increased risk of error. This was recognised as an area for improvement by management. It is recommended that tighter controls are put in place to ensure journals are appropriately authorised ideally prior to being posted on the ledger. Additionally, where journals include calculation, especially those material in nature, we recommend a secondary review of the calculation is performed to ensure its accuracy.</p>
Implementation date	June 2023
Ongoing	As part of our 2023/24 journals testing, we confirmed that all journals tested were authorised and that evidence of the authorisation was appropriately documented.



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