

Deloitte.



Final Report to the Audit
Committee and Auditor
General on the 2012/13
Audit

12 June 2013





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12 June 2013

Dear Sirs

We have pleasure in setting out in this document our final report to the Audit Committee of Scottish Ambulance Service for the year ended 31 March 2013, for discussion at the meeting scheduled for 20 June 2013. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2013.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been addressed and our conclusions are set out in our report.
- There are a number of judgemental areas including the Airwave SOCNE release and injury benefit provision to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Yours faithfully

Jim Boyle
Senior Statutory Auditor

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We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work

The big picture

The big picture

Work is substantially complete and no significant issues have arisen

- Our work is **substantially complete** and we remain on track to meet the agreed timetable.
- On satisfactory completion of our outstanding procedures we expect to issue an **unmodified opinion**.
- We have identified **no material issues** and have **no material adjustments**.
- Our **final materiality was £2.1m** (2012: £2.0m).
- Our work has highlighted **no disclosure deficiencies**.
- The financial reporting control environment remains robust and we **have no material control matters** to draw to your attention. Our controls findings have been included within Section 5 of this report.
- There have been no changes to the audit plan set out in the planning audit committee document.
- We did not identify any instances of fraud. See Appendix 3 for details of fraud investigations.
- A copy of the representation letter to be signed on behalf of the board has been included at Appendix 4 of this report.
- We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised. (See Appendix 2 for further detail).
- We placed reliance on the work of the internal auditors in relation to the transfer of information to the new fixed asset system.

Results of procedures around identified significant risk areas

No significant issues noted around our key areas of audit risk

Significant audit risk	Status
Property, plant and equipment valuation	
Core revenue resource limits	
Airwave release to the SOCNE	
Management override of controls	
Injury benefit provision	
Revenue recognition – completeness of income	
New fixed asset system	

Key

No issues arising

Minor misstatement or recommendation identified

Material misstatement or recommendation identified

Significant audit risks

Significant audit risks

Understanding the subjective judgements and estimates

The risk table below illustrates the key audit risks focused upon where Deloitte identified areas which involved the highest level of impact on the financial statements.

Acceptable range

	Acceptable range														
Property, plant and equipment valuation	Less prudent							✓						More prudent	Regular revaluations performed.
Core revenue resource limits								✓							We have confirmed that SAS has performed within the limits set by the Scottish Government.
Revenue Recognition - Completeness of income								✓							Income recognised agrees to the final allocation per the Scottish Government.
Injury benefit provision								✓							Key assumptions agreed as reasonable.
Airwave release to the SOCNE										✓					Prudent approach taken to contractual costs in relation to undercharging to date.

Significant audit risks (continued)

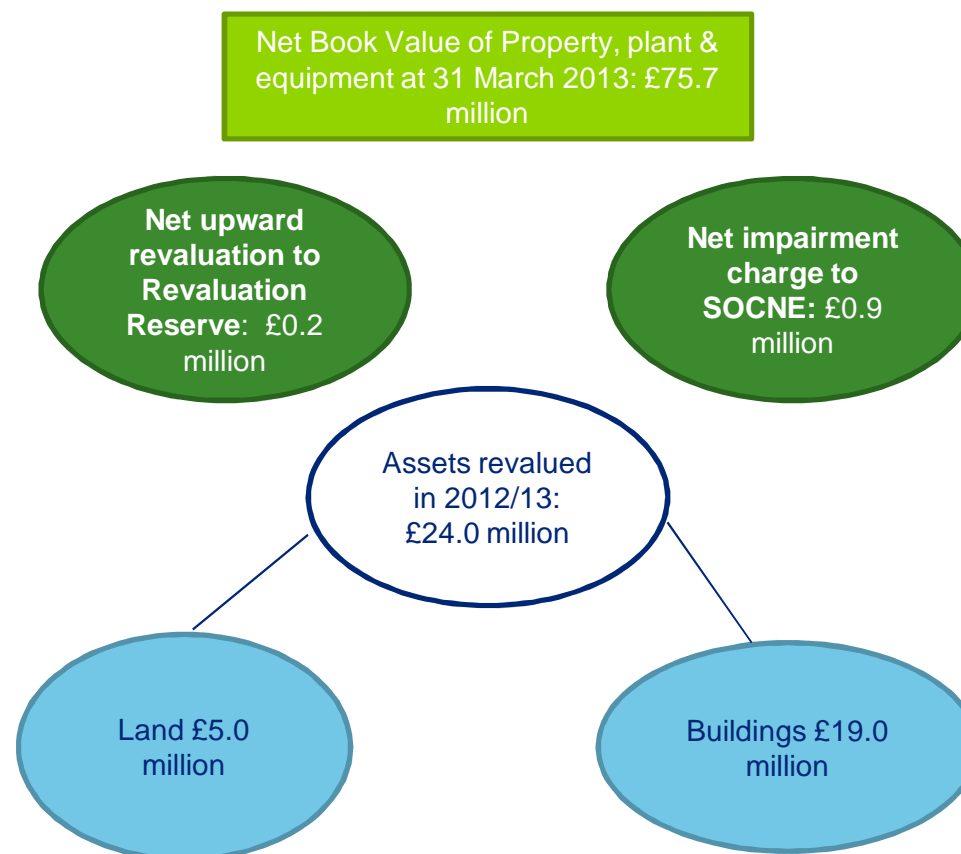
Property, plant and equipment valuation

Background

- Changes to the property market and economic environment can drive significant movements in value.
- IFRS requires assessment with significant regularity to ensure no significant divergence between carrying value and fair value of assets.

Deloitte response

- Deloitte obtained and reviewed the external revaluation performed on Land and Buildings to ensure that the valuations have been performed by suitably qualified individuals and that valuations have been made using a reasonable basis and have been performed in a timely manner.
- We have selected a sample of assets and re-performed the calculation agreeing that the correct charge or gain has been taken through the correct line of the financial statements (revaluation reserve or SOCNE), based on the valuations of buildings provided by the District Valuer and the NBV per the Fixed Asset register. We have also agreed the revaluation reserve balance for the asset to the calculated surplus.
- Our internal property specialists have assisted us in reviewing the assumptions and methodology applied by the District Valuer and have not identified any issues.
- Net impairment charge of £0.9m primarily driven by £0.8m impairment on new Kilmarnock Ambulance station built in the year.



Significant audit risks (continued)

Core revenue resource limit

Background

- Key financial duty for SAS to comply with Revenue Resource Limit, Capital Resource Limit and cash requirement.
- Key focus for management and our audit testing.
- We must provide an opinion on regularity – that expenditure and receipts were incurred or applied in line with guidance.

	Expenditure £000s	Resource Limit £000s	Underspend (overspend) £000s
Revenue resource limit - core	197,721	197,753	32
Revenue resource limit - non core	14,311	14,311	0
Capital resource limit	17,146	17,150	4
Cash requirement	219,412	220,000	588

Deloitte response

- We confirm that SAS has performed within the limits sets by the SGHD and therefore in compliance with the financial targets in the year.
- We have reviewed the methods applied to monitor and report the compliance with these targets and any variances to the Board.
- The funding allocated to SAS has been confirmed via confirmation from The Scottish Government and we have agreed the cash drawn down to the bank statements.
- We have concluded that, through the performance of our year end procedures, the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Minister and the expenditure is valid and correctly classified between revenue and capital spend.

Significant audit risks (continued)

Airwave release to the SOCNE

Background

- Dispute over delay deductions resolved within the year.
- There remain uncertainties over a number of unbilled items. There is currently a £0.5m reserve against amounts undercharged by Airwave to date. This primarily relates to incorrect indexation charges and reflects the contractual obligations of SAS.
- There remains a risk that the release to the SOCNE is incorrect as a result of adjustments to the total contract value or that the amount is released over an incorrect period.
- The total contract value is £58.0m which is being released over the contractual period to December 2020.
- Significant amounts have been paid in advance and a prepayment of £16.5m is recognised on the balance sheet.
- An amount of £6.0m (2012 £5.7m) was released to the SOCNE.

Deloitte response

- We recalculated and agreed the contractual value, indexation and additional contract change notice charges.
- We reviewed the impact of the delay deductions agreement on total contract value.
- We reviewed and agreed the period of release as being in line with the signed contract.
- Agreed the current / non-current split as reasonable.
- We calculated our expectation of the amount released to the SOCNE in the year and compare to client calculation with no issues noted.
- We challenged the £0.5m reserve and can confirm the amount is both supportable and reasonable.

July 2005
Airwave awarded contract to provide digital radio network

August 2006
Work commences on Scottish Ambulance scoping

January 2011
North EMDC goes live

March 2011
East EMDC goes live

May 2011
West EMDC goes live

September 2012
Airwave delay deductions dispute resolved

December 2020
Contract expires

Significant audit risks (continued)

We have no significant findings in respect of the below risks

Management override of controls

- No issues noted around journal entries and other adjustments made in the preparation of the financial statements.
- Our review of accounting estimates for bias that could result in material misstatement due to fraud noted no issues.
- Retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements completed with no issues noted.

Injury benefit provision

- Current year provisions of £5.3m (2012 £4.2m).
- We agreed the monthly payments to NSS confirmations which also provided assurance over the completeness of the provision.
- We agreed the reasonableness of life expectancy factors and recalculated the discounting factors with no issues noted. There were no significant movements in key inputs year on year.
- In addition, we tested a sample of individuals through corroborating key inputs and recalculating and agreeing the final provision to ensure accuracy.

Revenue recognition - completeness of income

- No issues noted from our review of the treatment of income in the year, which has been accounted for in line with the FReM.
- We have obtained a copy of the year end funding statement received from the Scottish Government dated 2 May 2013 which has been agreed to the amount recognised by SAS.
- We have also agreed the core funding to bank payments received.

New fixed asset system

- SAS moved to the RAM system during the year.
- There was an identified risk that the transfer of information was incorrect or incomplete.
- Obtained and review the Internal Audit report on the transfer to the RAM system with no issues noted.
- No material issues were identified from our own fixed asset testing.

Comments on your annual report and
financial statements

Comments on the front half of your annual report

The front half meets current regulatory requirements

We are required to read the “front half” of your annual report to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on your response to these areas:

Directors’ report

“NHS Board directors are ultimately and collectively responsible as a board for all aspects of the performance of the Board. Therefore, they need to be able to deliver focused strategic leadership and effective scrutiny of the Board’s operations”

Assurance framework

Membership and remit of each committee disclosed in the Directors’ Report

Quality of accounts

The accounts contain a significant number of notes and line items which are not applicable to SAS. Deleting these could enhance the quality of the accounts for the users

Going Concern

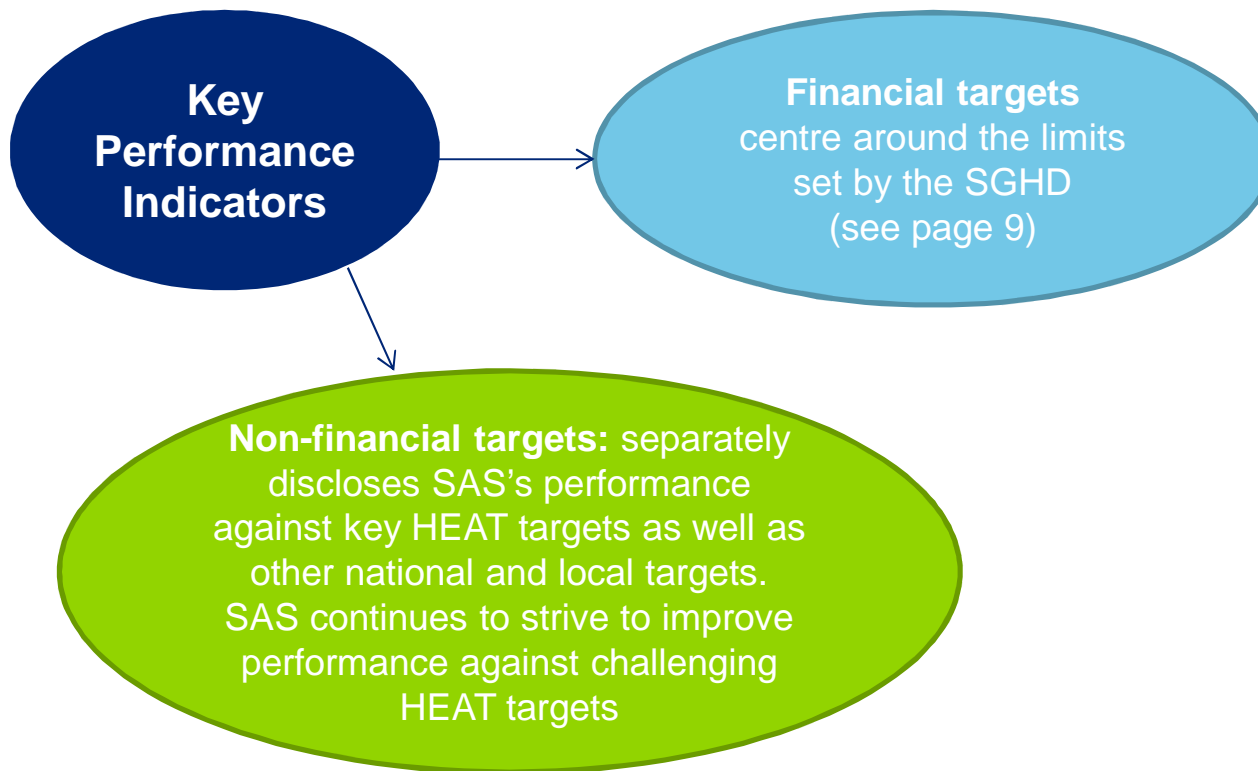
In line with the NHS Board Accounts Manual the Directors’ Report includes relevant disclosures around the basis of preparation

Board and committees met regularly throughout the year

Disclosures made are in accordance with the FReM and Accounts Manual

Comments on the front half of your annual report (continued)

Operating and financial review



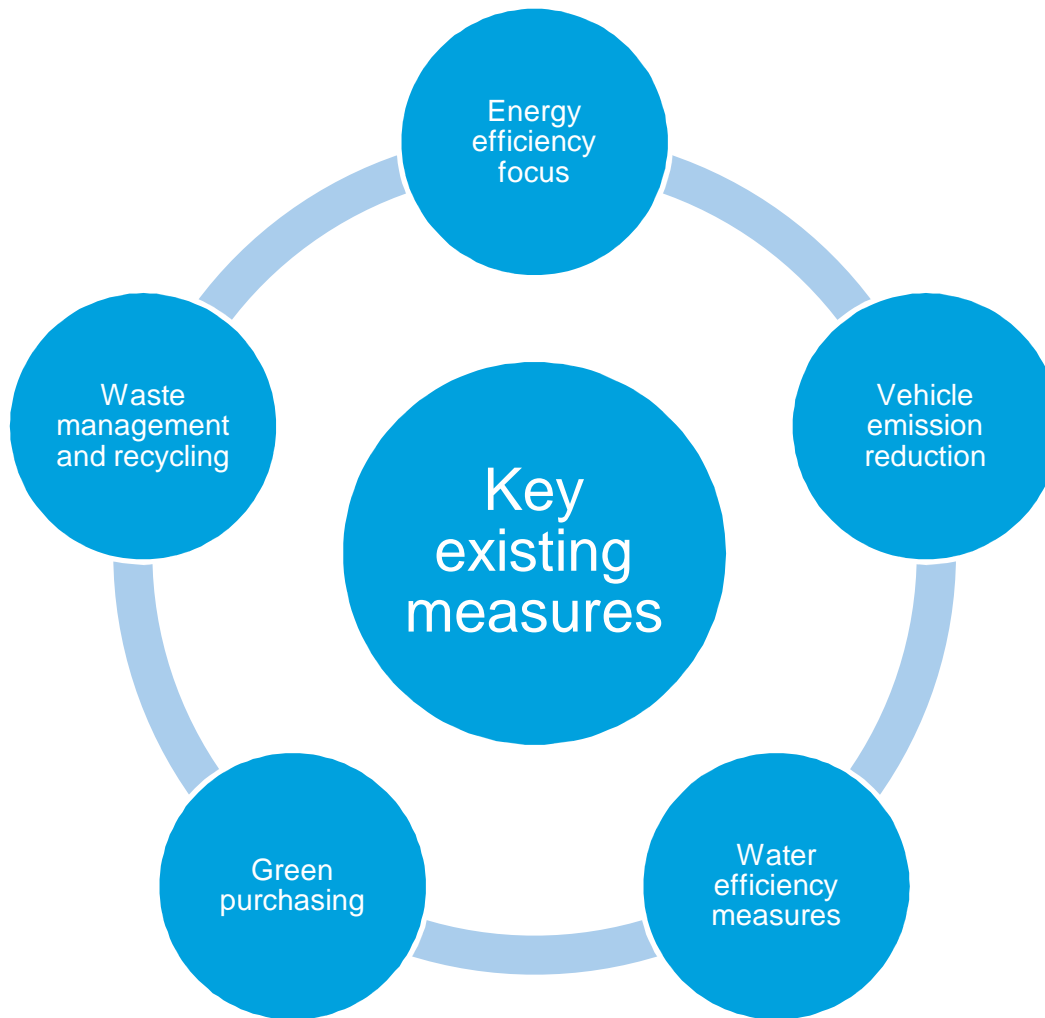
We have reviewed the disclosures against the requirements and note that consideration is given around both financial performance and non financial targets in line with the guidance.

Comments on the front half of your annual report (continued)

Sustainability and environmental reporting

In contrast to England, a Sustainability Report is not required to be included within the OFR, though it should cross-refer to it. SAS include a sustainability section to enhance the quality of disclosure.

- New targets introduced by the Scottish Government**
- 3% year on year fossil fuel CO2 emission reduction
 - A further 1% year on year target across the whole asset base



Comments on the front half of your annual report (continued)

Remuneration report

The remuneration report has been prepared in accordance with the requirements of the FReM, disclosing the remuneration and pension benefits of Executive and Non-Executive Members of the Board.

Hutton disclosures on median pay:	2012/13	2011/12
Highest earning Director's Total Remuneration Band (£'000)	115-120	115-120
Median Total Remuneration (£'000)	29.6	30.5
Ratio	3.92	3.79

We have reviewed the Hutton guidance and performed the following procedures:

- Agreed a breakdown of the gross pay by individual to payroll reports and identified the highest paid director and agreed the midpoint of this into the calculation;
- Selected a sample of employees and checked salary, length of service in the year and hours employed to the payroll system and agreed that these have been adjusted to be reported as full time and annualised in line with the guidance; and
- Checked the calculation to identify the median salary and the ratio.

We are satisfied that the calculation has been performed in line with the guidance and has been appropriately disclosed. The increase in the ratio is primarily driven by the recruitment of a large number of trainee staff to fill the headcount deficit who start at the bottom of the pay bandings. This reduces median pay and hence the reported median pay ratio.

Comments on the front half of your annual report (continued)

Governance statement

“An important priority is to ensure that governance statements laid out the organisation’s approach to governance in the context of its business model. Getting this right matters as much as improving the quality of specific explanations”
FRC February 2012

The Governance statement has been prepared using the suggested pro-forma issued by the Scottish Government in its circular dated 10 December 2012.

It reports that SAS is in compliance with the aspect of the UK Corporate Governance Code which are set out within the guidance as being applicable to NHS Boards.

We have reviewed the systems in place to ensure that there is sufficient evidence available to the Chief Executive to sign the Governance Statement, which includes a formal sign off by each Director and the Chair of each of the main Committees.

The statement notes that there have been no significant control weaknesses or failures to achieve the standards set out in the guidance on governance, risk management and control. This is consistent with our knowledge based on evidence collected in the course of the audit.

Significant observations on your financial statements

Critical accounting judgements and key sources of estimation uncertainty

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the accounting policies and estimates are discussed below.

Critical accounting judgements and key sources of estimation uncertainty identified by management are:

- Property valuation;
- Provisions;
- Useful life of tangible and intangible assets; and
- Ageing of future liabilities (for example Airwave liabilities).

We have assessed the disclosures based upon our review of the accounts and understanding of the organisation and the specific risks we identified as part of our planning process. We have not identified any other critical accounting judgements or key sources of estimation uncertainty that require to be disclosed. We have performed work as follows against each of these areas:

Property valuation – see Section 2

Ageing of liabilities – no issues noted, recalculated and agreed

Provisions– See Section 2 for work on injury benefit provision, no issues noted around other provisions

Useful life of tangible and intangible assets– consistent with prior year and testing performed

Significant observations on your financial statements (continued)

NHS superannuation scheme

Scottish Ambulance Service participates in the NHS Superannuation Scheme for Scotland, which is a multi-employer scheme, where the share of the assets and liabilities applicable to each employer is not identified. This is therefore accounted for on a defined contribution basis as permitted by IAS 19.

Following national guidance from the Scottish Government, Note 24 of the accounts 'Pension Costs' reflects a Scotland-wide net liability arising from the most recent actuarial valuation for the year 31 March 2004.

Periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme.

Given that the Scheme ought to be subject to a full valuation every five years, a more up to date valuation would have been expected to have been reflected in the 2012/13 accounts.

Normal employer contributions paid in 2012/13: £14.349 million

We have reviewed the disclosures within the accounts against the FReM noting that it includes the NHS Superannuation Scheme as a multi employer public sector pension scheme and as such should be accounted for this as a defined contribution scheme.

Reference is made to the Scottish Public Pensions Agency where details of the most recent actuarial valuation can be found along with details of the shortfall that has to be met by future contributions from employing Boards. There is a cap on SAS contributions at 14% and contributions are currently being paid at 13.5% so the impact of increased contributions would be limited.

Best value, use of resources and
performance

Best value, use of resources and performance

Financial performance and outlook

SAS budgeted for a break even position for the year to 31 March 2013. The final outturn was a surplus against the core revenue resource limit of £0.032 million and surplus against non core of £0 million, representing a net surplus of £0.032 million.

	2012/13 Core £'000	2012/13 Non- core £'000	2012/13 Total £'000
Limit (set by SGHD)	197,753	14,311	212,064
Expenditure	197,721	14,311	212,032
Variance (over)/under	32	0	32

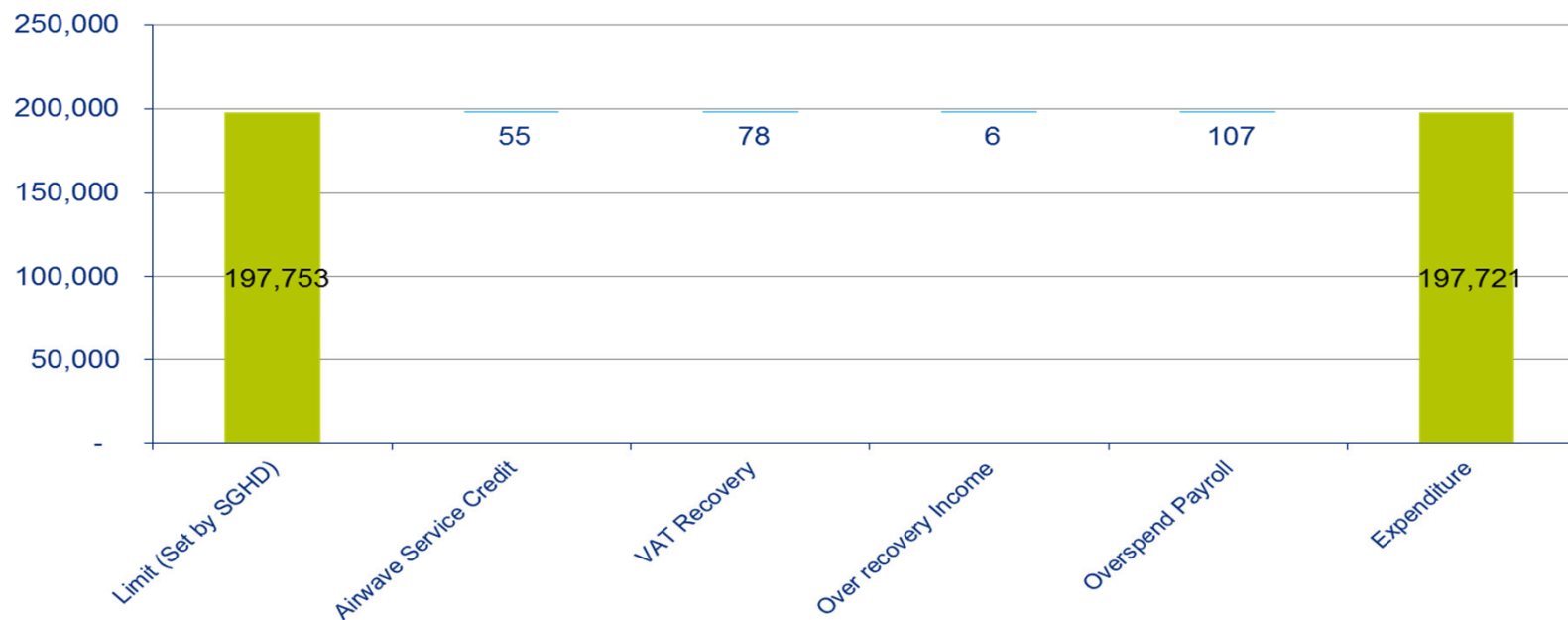
Performance

- SAS forecast to operate under budget in essence to have small buffer should unexpected costs arise, such as adjustments arising from the year end audit.
- £32k surplus achieved at year end through various sources (see bridge graph).
- Reduced surplus on the prior year which was £41k.
- Greater payroll costs due to decreasing the working week to 37.5 hours.
- Revaluation of land and buildings result in net impairment of £852k.

Best value, use of resources and performance (continued)

Financial performance and outlook

Bridge of limit to expenditure 2013



Outlook

- 1% uplift in revenue from government for the 2013/14 financial period.
- 1% increase in pay also awarded for 13/14, essentially netting off much of the increase in income.
- Tough outlook with reallocation of resources according to need key to meeting financial targets.
- SAS looking for cash efficiency savings in 13/14 of £7.1m, compared to £7.3 achieved in 12/13.
- Travel and subsistence rates increased by government will have impact of around £100k increase on costs .
- Air ambulance costs to increase with 2 new larger helicopters being invested in- additional funding will be provided to cover these costs.

Best value, use of resources and performance (continued)

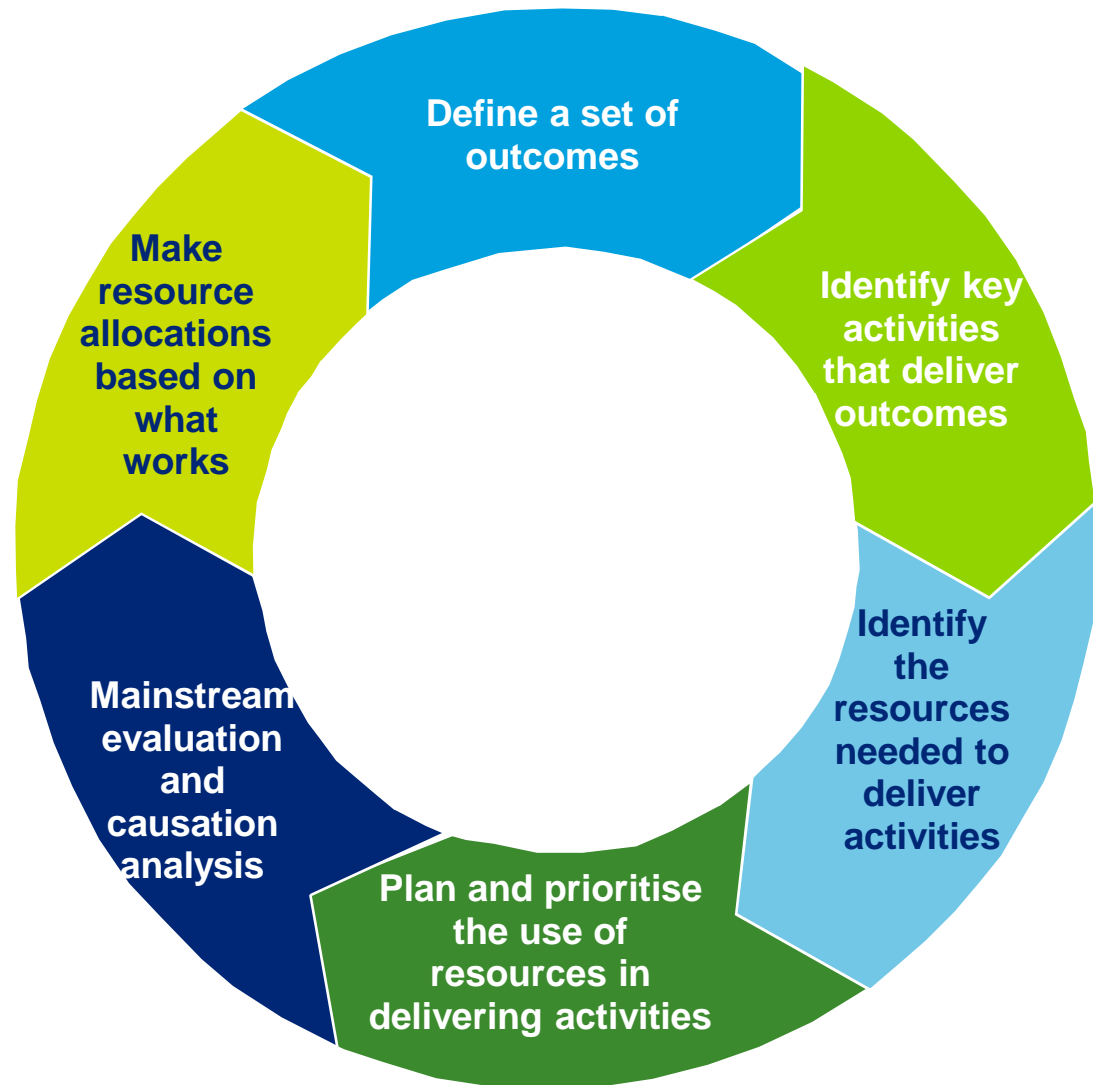
Other issues work – outcome approach

Background

- Significant budgetary pressures to deliver increasingly challenging savings year on year.
- Comprehensive assessment of competing priorities and delivery of outcomes is more important than ever in this challenging financial environment.

Deloitte Response

- We have reviewed the budget setting process applied by SAS and have had several discussions with the Director of Finance on the approach used.
- To support this we facilitated a workshop with the Finance team to assess the options for an outcomes based approach to budgeting within SAS. Following this, It was agreed that a pilot would be run for community resilience with a view to, going forward, rolling out the approach organisation wide.



Best value, use of resources and performance (continued)

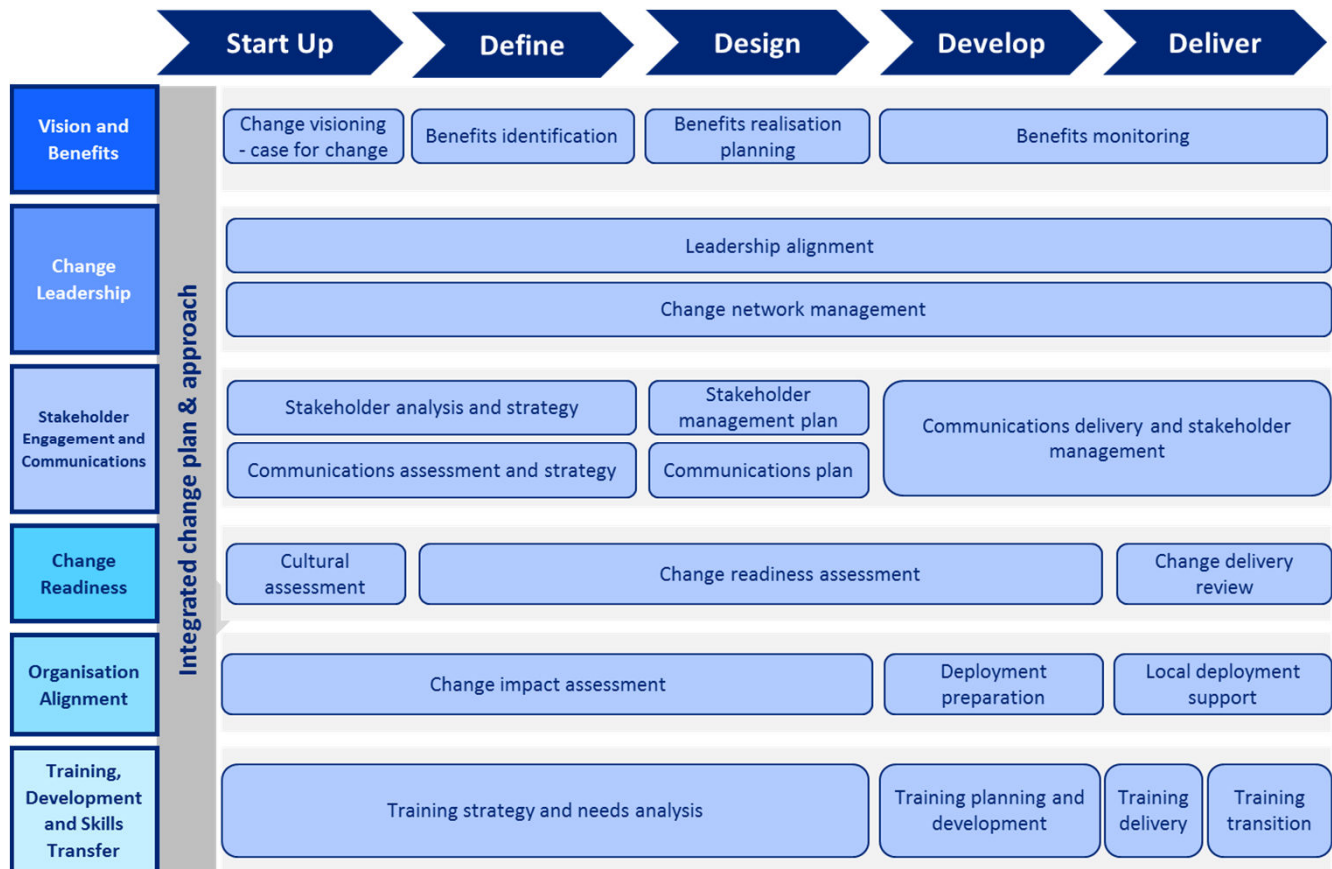
Other issues work – organisational capacity for change

Background

- There is currently a very significant transformation programme underway within SAS including e-Health, Scheduled Care, Unscheduled Care and Engaging with Communities
- In these circumstances, it is important that the organisation has appropriate arrangements in place to effectively manage capacity and readiness for change. These arrangements need to be in place to ensure the envisaged benefits from the change programme are delivered.

Deloitte Response

- Given this scale of change, we ran a workshop with the Director of Strategic Planning to provide an overview of potential best practice options for managing change readiness and capacity which included the benefits of introducing a SAS change management toolkit. The toolkit would promote increased uniformity and consistency to change management and allow SAS to accurately assess change readiness and capacity.
- It was agreed there was significant benefit in adopting the change toolkit approach and the practicalities are now being considered by management.



Best value, use of resources and performance (continued)

Other issues work – Emergency calls

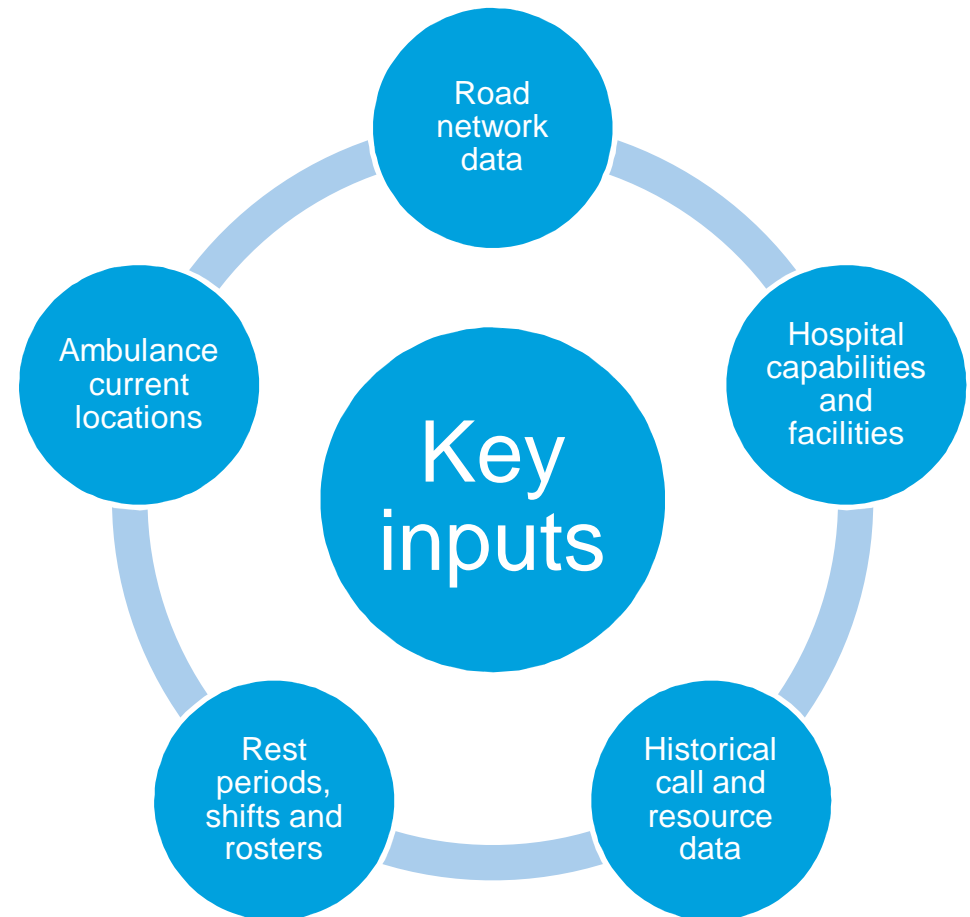
Background

- SAS is currently not making its Government target of responding to 75% of Category A calls within 8 minutes.
- Optima Predict went live in May 2012 and is now in place across Scotland.
- Optima Live has been purchased and will go live in Autumn 2013.
- SAS is leading the way with Optima with other Ambulance Services recently signing contracts for the system.
- The Optima system was brought in to help bridge the gap and the Audit Committee is keen to ensure the integrity of underlying data.

Deloitte Response

We discussed the Optima system with the Head of Strategic Performance and Planning. We noted the key inputs as per right.

SAS provides Optima with the key information and Optima incorporate the revised information in to the modelling software. SAS then test it against behaviour in practise before accepting and putting in place the updates.



Best value, use of resources and performance (continued)

Community engagement

Background

- In line with revised Audit Scotland guidance, the completion of a best value toolkit is no longer required for all Special Health Boards.
- Our 2011/12 BV Toolkit review assessed the Board's arrangement for community engagement.
- We found that SAS applies a number of areas of best practice around community engagement.
- Some areas were noted for management consideration.

We have followed up the agreed actions from our 2011/12 report and noted that progress is being made in relation to each of the recommendations made as follows:

Public meetings across all 5 divisions on the Service's submission of the participation standard

New Head of Community Resilience Appointed

Additional communications channels have been introduced to influence service development, including:
Your.scottishambulance.com and Patient Opinion.

4th Gateway Review Report highlighted exemplary stakeholder engagement with specific mention of remote and island communities

Each division now has a PFPI lead

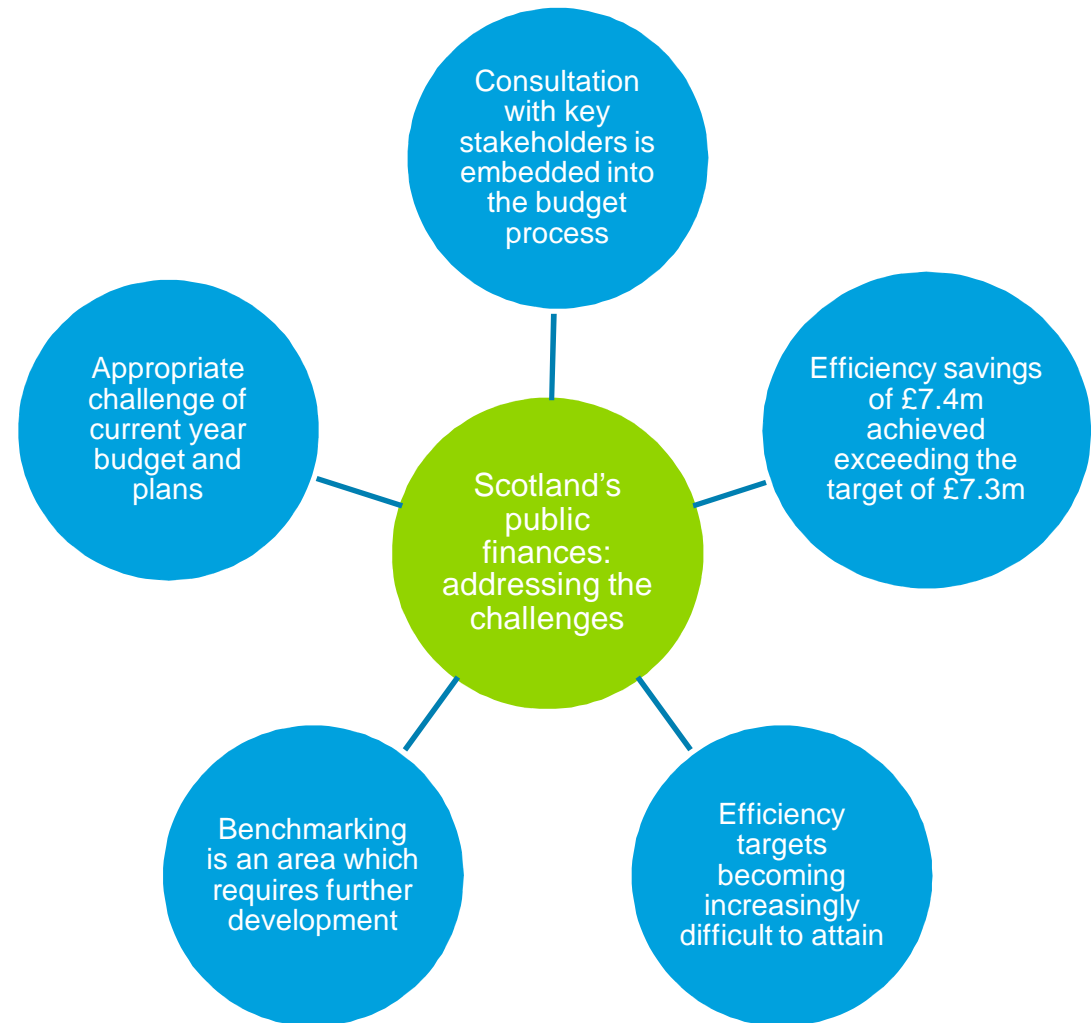
Best value, use of resources and performance (continued)

National Performance Reports

We have performed a focused follow up on 'Scotland's public finances: addressing the challenges'.

This work has been completed and our detailed findings from this review were included in a separate report to the Audit Committee with a summary of these detailed herein.

The Board is responding positively to the challenges of public sector budget constraints and a significant amount of work has been undertaken in order to achieve financial sustainability. Some areas have been highlighted for management consideration in order to enhance the current process.



Best value, use of resources and performance (continued)

National Fraud Initiative

We are required to monitor boards' participation during 2012/13.

Fraud Liaison Officer continues to take overall responsibility for NFI work.

Accounts Payable supervisor takes lead role on creditor matches.

Payroll Project Lead continues to take lead for payroll matches.

	Total matches	Total recommended to follow-up	Total processed at 31 May 2013
Payroll	78	5	0
Creditors	121	16	119
Total	199	21	119

As at 31 May 2013, no frauds have been identified in either the 2010/11 or 2012/13 exercises

- All data was submitted to the NFI in accordance with the deadlines of September 2012, and management now has plans in place to address all of the recommended matches over the period from June to December 2013.
- We recommend that SAS look to involve HR in the NFI process to resolve payroll matches and to involve internal audit in monitoring SAS's approach to NFI.


Risk management and internal control

Risk management and internal control observations

Key controls over significant risks

In **Section 2** we discussed the identified significant audit risks. For each of these significant audit risks we have assessed the design and implementation of internal controls in each of those areas, summarised below.

Significant Risk	Control	★
Injury benefit provision	The Scottish Public Pensions Agency provides SAS with a breakdown of the latest pension costs per individual on injury benefit. The Finance General Manager reviews this breakdown for any new individuals or changes and feeds this through his calculations spreadsheet.	★
Core revenue resource limits	Monthly monitoring is performed against SGHSCD financial targets. We have reviewed the financial monitoring reports during 2012/13 confirming that this is monitored and reviewed on a regular basis.	★
Airwave charge to the SOCNE	Costs on the Airwave contract are regularly reviewed. The term of the contract was determined pro rate based on the date of commencement of each division to December 2020 (contract end date).	★

 No issues noted

 Satisfactory – minor observations noted

 Requires improvement

 Significant improvement required

Risk management and internal control observations (continued)

Key controls over significant risks

Significant Risk	Control	★
<p>Management override of controls</p>	<p>Controls are in place over financial reporting and closing procedures, recording and processing of journals, segregation of duties and related party transactions prevent the management override of controls. In addition, a detailed review is performed each month on the results through the financial monitoring reports.</p> <p>We have tested a sample of journal entries posted in the year and confirmed the appropriateness of the journals posted including approval. We have also reviewed the financial monitoring reports for 2012/13 confirming that they are monitored and reviewed on a regular basis</p>	★
<p>Property, plant and equipment valuation</p>	<p>Fixed asset valuations are considered on an annual basis. External valuations are regularly performed with carrying amounts being adjusted to reflect the value per revaluation report.</p>	★



No issues noted



Satisfactory – minor observations noted



Requires improvement



Significant improvement required

Risk management and internal control observations (continued)

Key controls over significant risks

Significant Risk	Control	★
Revenue recognition – completeness of income	<p>The resource limit as determined by the Scottish Government is reviewed by the Director of Finance to ensure funding is correctly recorded.</p> <p>We have obtained the year end 2013 allocation letter and agreed the amounts to the annual accounts.</p>	★
New fixed asset system	<p>Internal audit performed a review of the transfer of information to the new system.</p> <p>We have reviewed the report and confirmed that no significant issues have been noted from the transfer.</p>	★



No issues noted



Satisfactory – minor observations noted



Requires improvement



Significant improvement required

Risk management and internal control observations (continued)

We identified a number of current year risk management and control observations, which are detailed below:

Description	Recommendation	Management response
<p>NFI - Payroll Human resources is not currently involved in the process of resolving payroll matches identified under NFI</p>	<p>That HR is involved in the NFI process to resolve payroll matches</p>	<p>HR have been involved in the past , however for the most recent round of matches they had resourcing issues in being involved . They will be involved at the next round of matches</p>
<p>NFI – Monitoring Internal audit is not currently involved in monitoring NFI procedures and processes</p>	<p>That Internal audit is involved in monitoring SAS's approach to NFI</p>	<p>Should Internal Audit (or indeed Counter Fraud services) be required we will involve them in the future</p>
<p>Fixed asset register An ambulance was identified which were no longer in use</p>	<p>An exercise should be performed to review the fixed asset register and identify and remove those assets no longer in use</p>	<p>We will perform and exercise by the end of June 2013 reconciling the RAM system to the fleet system</p>

Risk management and internal control observations (continued)

Description	Recommendation	Management response
<p>Stock count Imprest and obsolete stock are not clearly segregated from other stock</p>	<p>All Imprest and obsolete stock should be clearly identified and segregated from other stock</p>	<p>A process is in place for the identification of imprest and obsolete stock. However relevant staff will be reminded of the importance of applying this consistently</p>
<p>Stock count There is no clear record kept when stock is moved between the stores and the vans</p>	<p>That clear records are kept of all transfers between locations to allow easy identification of where stock is currently located</p>	<p>A process will be implemented in the next 12 months</p>
<p>Stock count A number of staff had not received training on the new stock scanners.</p>	<p>To ensure all staff receive adequate training</p>	<p>Glasgow staff have been trained and a rolling programme is in the process of being implemented this will all be completed by March 2014</p>

Risk management and internal control observations (continued)

We performed follow-up work on our prior year risk management and internal control observations. The key results of this work are outlined below:

Area	Issue raised in 11/12	Results of 12/13 follow up	Status
Insurance provision calculation	Management should focus on identifying trends based on current year data to inform this calculation moving forward. In addition, management should focus on monitoring actual costs against estimates provided by the insurer to ensure accuracy of estimates.	We are satisfied that due to a review of the reserves set against the motor insurance cases during the year, year-end reserves are materially correct. SAS calculated this provision based on 100% of the Third Party Reserve (£124k) and 100% of the Injury Reserve (£162k) at year end.	
Supplier statement reconciliations	We recommend that management should request supplier statements for all key suppliers at the year end and reconcile these back to the payables ledger.	Supplier Statements were not requested prior to audit and reconciliations not completed as a control. SAS have revisited this action and will have this control in place moving forward.	
Airwave Contract Change Notices Unsigned	We recommend that SAS should ensure moving forward that all CCN's are formally signed off by both parties.	No new CCNs in year. Management have agreed that signatures are required for CCNs moving forward.	

Issue fully addressed and resolved

Issue addressed with some further improvements required

Issue not appropriately addressed

Internal audit and control

Our reliance on the work of internal was in line with plan

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit and adjusted our audit approach as deemed appropriate. The results of this were:

Specific reliance was placed in the work on the transfer of information to the new fixed asset system

For those other areas where a significant risk was identified we performed all work ourselves

No issues were identified with the work performed by internal audit

Responsibility statement

Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland, within the Code of audit practice, explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" previously circulated to you and sets out those audit matters of governance interest which have come to our attention during the planning of our audit to date. Our audit is not designed to identify all matters that may be relevant to the board and our final report on the audit will not necessarily be a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Board of Directors, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Edinburgh
12 June 2013

Appendix 1: Audit adjustments and disclosure misstatements

Audit adjustments

Uncorrected misstatements

There is only one uncorrected misstatements noted during the process of our audit work as per below.

Adjustment	Audit adjustment or client identified	Increase/ (decrease) in net assets £'000	(Increase)/ decrease in net liabilities £'000	Increase/ (decrease) in taxpayers' equity £'000	Credit/ (charge) to current year SOCNE £'000
Remove ambulance from fixed asset register	Audit	(24)	-	(24)	24
Total		(24)	-	(24)	24

Corrected misstatements

There have been four corrected misstatements noted by audit during the process of our audit work (see overleaf for breakdown). The finance team also noted a number of small adjustments after their accounts close deadline and have posted these as late adjustments to the accounts. The net impact of total adjustments was to decrease net assets by £14k and decrease the surplus against the resource limit by £14k.

Audit adjustments (continued)

The adjustments set out in the table below show the corrected adjustments noted by Deloitte and the Finance team:

Adjustment	Audit adjustment or client identified	Increase/ (decrease) in net assets £'000	(Increase)/ decrease in net liabilities £'000	Increase/ (decrease) in taxpayers' equity £'000	Credit/ (charge) to current year SOCNE £'000
Accrual correction	Both *	-	(46)	(46)	46
Electricity accrual	Audit	-	(22)	(22)	22
Airwave service credit reclassification	Audit	55	(55)	-	-
Prepayments reclassification	Audit	30	(30)	-	-
Various**	Client	118	(64)	54	(54)
Total		203	(217)	(14)	14

*This adjustment had already been picked up by the finance team but was also uncovered as part of our testing procedures.

** To enable a smooth closedown process, the finance team closed their ledgers to allow the stat process to be completed. A number of adjustments were noted and processed along with the audit adjustments.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

Appendix 2: Independence and fees

Independence and fees

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General, we are required to report to you on the matters listed below:

Independence confirmation

We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

Fees

The audit fee for the year has been agreed at £75,000 (inclusive of VAT) and is within the indicative fee range set by Audit Scotland.

Non-audit services

In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or of any apparent breach of that policy.

There were no non audit services fees charged in relation to Deloitte in the period from 1 April 2012 to 31 March 2013.

Relationships

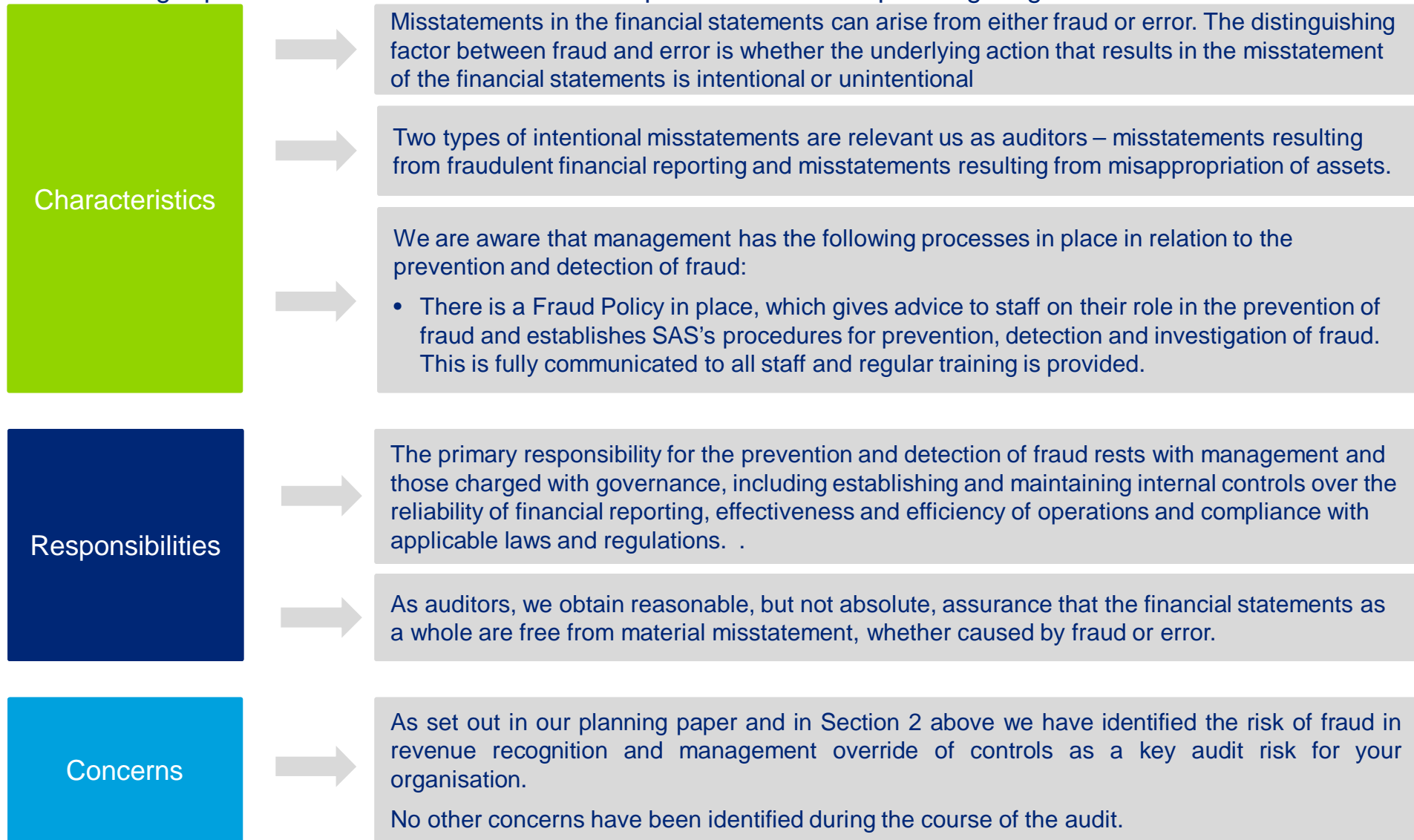
We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

Appendix 3: Fraud considerations

Fraud considerations

The following represents a reminder of the fraud enquiries made at the planning stage of the audit:



Appendix 4: Representation letter

Representation letter

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom

Our Ref: SAS/2013

Date: at time of signing

Dear Sirs

This representation letter is provided in connection with your audit of the annual financial statements (“the financial statements”) of Scottish Ambulance Service for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Scottish Ambulance Service as of 31 March 2013 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the directions given by the Auditor General for Scotland (‘the Auditor General’) in accordance with Section 21 of the Public Finance and Accountability (Scotland) Act 2000. We are aware that it is an offence to mislead a Board auditor.

As Accounting Officer and on behalf of the board of directors, I confirm to the best of my knowledge and belief, the following representations.

Financial statements

1. I understand and have fulfilled my responsibilities for the preparation of the financial statements in accordance with the directions given by Scottish Ministers and the National Health Service (Scotland) Act 1978 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.

Representation letter (continued)

3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
7. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the Board or cease operating as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Board’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
8. We have considered the valuation of the Board’s Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year
9. With respect to the revaluation of properties in accordance with the FReM:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - c) the disclosures are complete and appropriate.
 - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.

Representation letter (continued)

10. We confirm that we consider that depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.

Information provided

11. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

12. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

13. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects Scottish Ambulance Service and involves:

- (i) management;
- (ii) employees who have significant roles in internal control; or
- (iii) others where the fraud could have a material effect on the financial statements.

16. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Representation letter (continued)

17. We are not aware of any actual or possible instances of non-compliance with laws and regulations.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
19. No claims in connection with litigation have been or are expected to be received.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
21. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
22. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed as Accounting Officer, and on behalf of the Board of Directors

Representation letter (continued)

Appendix 1 Schedule of Uncorrected Misstatements

Description	Assets DR / (CR) £000's	Liabilities DR / (CR) £000's	Taxpayers' equity DR / (CR) £'000	SOCNE DR / (CR) £'000
Reclassification of credit balance within prepayments	30	(30)	-	-
Remove ambulance from fixed asset register	(24)	-	(24)	24
Total	6	(30)	(24)	(24)

Appendix 5: Additional resources available to you

How we keep you up to date: Financial Reporting

IAS Plus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting for accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to <http://www.iasplus.com/subscribe.htm>.

Deloitte UK Centre of Health Solutions

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IFRS podcasts

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Publications

Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance to companies reporting under the relevant GAAP; model annual report and financial statements; and our major text on financial instruments providing in depth support to preparers and auditors in this challenging area. Our range also includes quarterly iGAAP newsletters providing a round up of recent developments. iGAAP alerts are issued whenever a new exposure draft or standard is issued.

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