



Scottish Ambulance Service  
Final Report to the Audit  
Committee on the 2013/14  
Audit



19 June 2014

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6 June 2014

Dear Sirs

We have pleasure in setting out in this document our final report to the Audit Committee of Scottish Ambulance Service (SAS) for the year ended 31 March 2014, for discussion at the meeting scheduled for 19 June 2014. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2014.

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 fixed asset valuation to which we draw your attention in our report and 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 audit adjustments**.
- Our **final materiality was £2.1m** (2013: £2.1m).
- Our work to date 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 observations 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 5 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).
- **Outstanding items**
  - Receipt of final version of the financial statements
  - Finalisation of Real Estate specialist procedures
  - Finalisation of quality control procedures

# Introduction

# Introduction

## Scope, nature and extent of audit

Our overall responsibility as external auditor of the Board is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

The special accountabilities that attach to the conduct of public business, and the use of public money, means that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as regularity (or legality), propriety, performance and use of resources in accordance with the principles of Best Value and 'value for money'.

Our core audit work as defined by Audit Scotland comprises:

- Providing the Independent Auditor's Report on the financial statements (including any assurance statement on consolidation templates and summary financial information)
- Providing the annual report on the audit to those charged with governance:
- Providing reports to management, as appropriate, in respect of the auditor's corporate governance responsibilities in the Code (including auditors' involvement in NFI); and
- Undertaking work required by Audit Scotland, including: providing information for the NHS financial performance report and NHS current issues report for the Auditor General; a review of elements of Best Value in Boards and feedback on local responses to national performance audit reports in Boards.

In addition to this annual report, we have completed and reported the following matters to those charged with governance (the Audit Committee) of the Board):

Planning Report;  
and

Progress reported  
to each Audit  
Committee  
meeting.

The key issues from these outputs are summarised in this report.

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 |  |  |  |  |   |  |  |  |  |  |  |                     |   |
|---|---------------------|------------------|--|--|--|--|---|--|--|--|--|--|--|---------------------|---|
| <b>Core revenue resource limits</b>   | <b>Less prudent</b> |                  |  |  |  |  | ✓ |  |  |  |  |  |  | <b>More prudent</b> | We have confirmed that SAS has performed within the limits set by the Scottish Government.                              |
| <b>Qualification of assets for DEL (Departmental Expenditure Limit) funding</b> |                     |                  |  |  |  |  | ✓ |  |  |  |  |  |  |                     | Income recognised in line with funding agreement with the Scottish Government.  |
| <b>Injury Benefit Provision</b>   |                     |                  |  |  |  |  | ✓ |  |  |  |  |  |  |                     | Key assumptions agreed as reasonable.   |
| <b>Completeness of income</b>   |                     |                  |  |  |  |  | ✓ |  |  |  |  |  |  |                     | Income recognised agrees to the final allocation per the Scottish Government.   |
| <b>Management Override of Controls</b>  |                     |                  |  |  |  |  | ✓ |  |  |  |  |  |  |                     | We have noted no issues with journal entries and other adjustments made in the preparation of the financial statements. |

# 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<br>£000s | Resource Limit<br>£000s | Underspend<br>(overspend)<br>£000s |
|-----------------------------------|----------------------|-------------------------|------------------------------------|
| Revenue resource limit - core     | 199,517              | 199,558                 | 41                                 |
| Revenue resource limit - non core | 15,889               | 15,935                  | 46                                 |
| Capital resource limit            | 13,956               | 13,959                  | 3                                  |
| Cash requirement                  | 213,187              | 214,000                 | 813                                |

### Deloitte response

- The funding allocation to SAS has been verified via confirmation from the Scottish Government dated 25 April 2014 and we have agreed the cash draw down to the bank statements.
- Of the £87,000 revenue surplus noted above, £29,000 was subsequently returned to Scottish Government.
- We have confirmed, via the year end funding statement from the Scottish Government, that the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers and the expenditure is valid and correctly classified between revenue and capital.
- We confirm that SAS has performed within the limits set by the Scottish Government and is therefore in compliance with the financial targets in the year.

# Significant audit risks (continued)

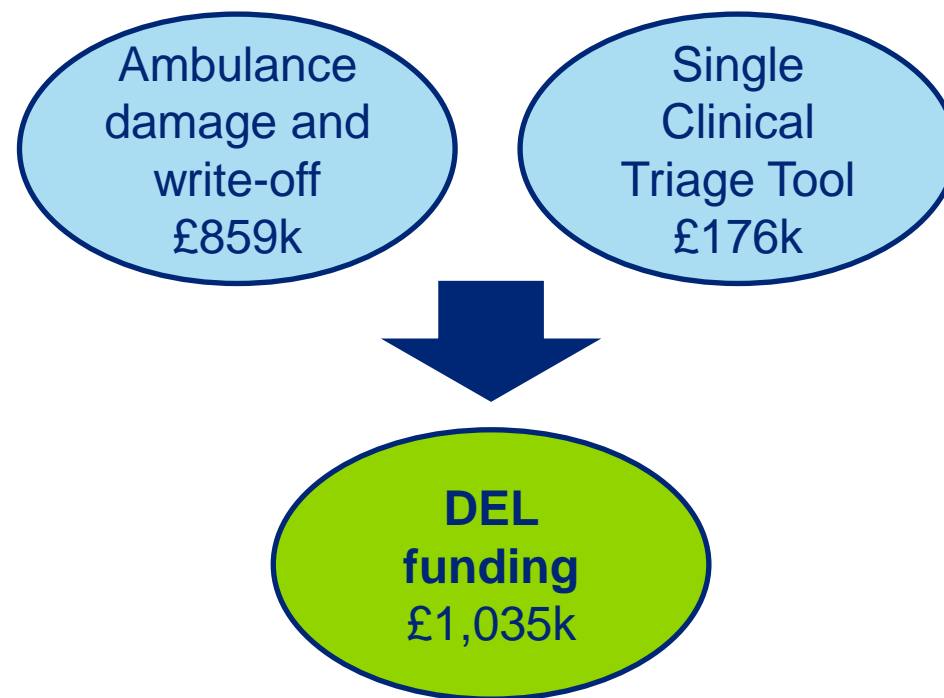
## Qualification of assets for DEL funding

### Background

- Scottish Government DEL (Departmental Expenditure Limit) fund open for one year – to cover losses on disposal, abandonment of projects and over-specification of assets.
- Deloitte have focussed on ensuring that any items classified in this are have been treated correctly.
- The risk is that SAS make claims for assets which do not qualify for this funding and hence recognise income incorrectly.
- Management prepared a paper on the DEL funding claim submitted – these cover the abandonment of the Single Clinical Triage Tool project, and accident damage to ambulances. For the ambulance damage, the impairment is recognised financed by DEL funding and a subsequent addition (financed by core CRL) is recognised to return the asset to its original condition.

### Deloitte response

- Deloitte obtained and reviewed the management paper on the DEL funding claim. We examined the accounting treatment and agreed it as reasonable and correct.
- We obtained a copy of the third party confirmation and agreed the receipt of the funding to bank with no issues noted.
- We reviewed and agreed the adjustments posted through the financial statements.
- We tested a sample of assets to ensure that they met the criteria for DEL funding with no issues noted.



# Significant audit risks (continued)

We have no significant findings in respect of the below risks

## 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 25 April 2014 which has been agreed to the amount recognised by SAS.
- We have also agreed the core funding to bank payments received.

## 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 £6.8m (2013 £5.1m) with the increase primarily driven by 5 new individuals being provided for in the year.
- We agreed the monthly payments to NSS (National Services Scotland) 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.

Comments on your annual report and  
financial statements

# Comments on the narrative 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 and Strategic Report

The Strategic Report is a new requirement in current year, and has been given appropriate prominence after the remuneration report within the financial statements. The Strategic Report is required to disclose information required by the Companies Act, including disclosing information previously included in the Directors Report, including:

- Strategy and Business Model
- Key Performance Indicators (Financial and Non-Financial)
- Risk Disclosures
- Sustainability reporting

The following new disclosures have been made in 2013/14 in accordance with the Companies Act:

- Social Community and Human Rights
- Board’s strategy (2020 vision)
- Analysis of employee numbers by gender

#### *Assessing effectiveness of external audit process*

The UK Code of Governance requires a statement in the Report of the Audit Committee in the annual report about how the audit committee has assessed the effectiveness of the external audit process. The assessment would be timed in the audit cycle to be performed after an audit is concluded.

While this is not yet a requirement for Scottish NHS Boards, we recommend that this is something that the Board consider as good practice.

Our publication, “**Governance in Focus: a framework for assessing the effectiveness of the external audit process for Foundation Trusts**”, provides a guide to assist the Audit Committee in meeting its responsibilities in this area.

*Disclosures made are in accordance with the FReM and Accounts Manual*

# Comments on the narrative of your annual report (continued)

## Remuneration report

### Background

There have been a number of changes to the remuneration report requirements in the year in line with the updated guidance from the technical accounting group at NHS Scotland.

The main changes have been noted below:

- The value of pension benefits accrued during the year is now to be calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual;
- The table format is simpler in the current year with a separate pension table beneath the remuneration table; and
- The directors' gross salary as well as total remuneration is disclosed in the current year report.

### SAS Position

The changes noted above have caused significant variances within the remuneration report, particularly in relation to the change in the pension value increase. The figures are potentially misleading and confusing in some cases. As such, SAS have set out a clear explanation of remuneration in a note to ensure the information disclosed is transparent for the reader.

We have confirmed that the current year disclosures are all in accordance with the FReM and Technical Accounting Group guidance and they have been all implemented correctly in the current year financial statements

# Comments on the narrative of your annual report (continued)

## Median pay

The median pay disclosure represents the multiple of the median employees remuneration earned by the highest paid director.

| Hutton disclosures on median pay:                          | 2013/14 | 2012/13 |
|--|---------|---------|
| Highest earning Director's Total Remuneration Band (£'000) | 120-125 | 115-120 |
| Median Total Remuneration (£'000)                          | 30      | 30      |
| Ratio  | 4.1     | 3.9     |

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 related to the fact that the highest paid director in current year is now the Medical Director.



# 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 NHS Grampian is in compliance with the aspects 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 and from the work of internal audit during the year

### **The Board’s overall governance arrangements are satisfactory and appropriate:**

- The established Committee Framework at the Board remains in place. Each of the Committees met regularly in the year.
- The Board continues to receive regular and detailed performance and financial information to facilitate effective scrutiny and challenge by members.
- A Risk Management Policy is in place, and the corporate risk register is supported by comprehensive risk registers within Directorates, Sectors and Services. These are reviewed by the Board and Management team on a regular basis.
- Scott Moncrieff have been re-appointed as internal auditors in 2013/14 following a competitive tender.

# 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 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 judgemental areas:

**Property valuation** – valuation reports reviewed by our internal experts, no issues noted

**Ageing of liabilities** – no issues noted, recalculated and agreed

**Provisions** – See Section 3 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

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 2014. The final outturn was a surplus against the core revenue resource limit of £41k and surplus against non core of £46k, representing a net surplus of £87k.

|                          | 2013/14<br>Recurring<br>£'000 | 2013/14<br>Non-Recurring<br>£'000 | 2013/14<br>Total<br>£'000 |
|--------------------------|-------------------------------|-----------------------------------|---------------------------|
| Income                   | 199,558                       | 15,935                            | 215,493                   |
| Expenditure              | 199,517                       | 15,889                            | 215,406                   |
| <b>Surplus/(Deficit)</b> | 41                            | 46                                | 87                        |

### 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.
- £87k surplus achieved at year end through various sources.
- Greater payroll costs due to increase in staff numbers.
- Revaluation of land and buildings result in net impairment of £1,130k.

# Best value, use of resources and performance (continued)

## Financial performance and outlook

### Outlook

- 1% uplift in revenue from government for the 2014/15 financial period.
- 1% increase in pay also awarded for 14/15, 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 14/15 of £5.9m, compared to £7.1m achieved in 13/14.
- Capital programme focuses on spending £4.7m in vehicle replacement.

# Best value, use of resources and performance (continued)

## Other issues work – budget setting priorities

### Background

- Assessment of competing priorities and delivery of outcomes is more important than ever in this challenging financial environment.
- Given this, Deloitte recommended as part of the 2012/13 audit that SAS considered an outcome budgeting pilot with a view to organisational roll out over a period of time.
- SAS accepted this recommendation.

### Deloitte Response

- During the year we have attended several meetings and workshops which have progressed a pilot for fleet services.
- These workshops established the priority outcomes for fleet services, which included for example the safe transportation of patients. The workshops also assessed the effectiveness of current revenue and capital budget items in delivering these priority outcomes.
- SAS have completed a report which captures the key findings and recommendations from the pilot to date. This is currently with the Fleet Manager for review.



# Best value, use of resources and performance (continued)

## Other issues work – Airwave and North West Ambulance

### Background

- Our colleagues completed an advisory project at North West Ambulance which focussed on benchmarking the back office functions.
- We have used agreed comparative data from our review of North West Ambulance Service support functions to identify potential improvements in organisational structure, systems and processes and to highlight areas which merit a more detailed investigation.

### Deloitte Response

- In light of the financial challenges facing SAS, we would be very keen to provide this opportunity for shared learning.
- Given this context, it is important that lessons learned from Ambulance organisations who have embarked on transformation processes are taken into account to help meet this challenge.
- We are currently working with management to finalise a suitable date for this session.

### Background

- The Airwave project has faced significant challenges for a number of years, and there have been a number of disputes including the previous delay deductions issue and the current service credit regime dispute
- We have assessed the arrangements in place and will continue to do so on an ongoing basis to manage the Airwave contract.

### Deloitte Response

- The Airwave Service Credit dispute is ongoing and is expected to be resolved in late Summer 2014.
- Following discussions with the Director of Finance, we have agreed to delay our formal work until the resolution of this dispute.

# Best value, use of resources and performance (continued)

## National Fraud Initiative

All boards and special boards except Mental Welfare Commission participated in the NFI 2012/13, and were required to submit data in October 2012. As at 31 May 2014, no frauds have been identified in either the 2010/11 or 2012/13 exercises. The next return is due in October 2014 for the 2014/15 process.

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.

Deloitte were not required to perform any further work on NFI in the current year. This will be undertaken as part of the 2014/15 year end audit.



# Risk management and internal control

# Risk management and internal control observations

## Key controls over significant risks

In **Section 3** 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   | ★ |
|------------------------------|---|---|
| Core revenue resource limits | <p>Monthly monitoring is performed against Scottish Government financial targets.</p> <p>We have reviewed the financial monitoring reports during 2013/14 confirming that this is monitored and reviewed on a regular basis.</p>  | ★ |
| DEL funding                  | <p>There was clear guidance set out by the Scottish Government around the treatment of DEL funding. A review of the items claimed for under this funding mechanism is performed on a monthly basis by the finance manager to ensure all items qualify. We obtained the funding letter from Scottish Government and noted evidence of management review.</p> | ★ |
| Injury benefit provision     | <p>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. We obtained the breakdown and noted evidence of management review.</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 2014 allocation letter and agreed the amounts to the annual accounts.</p>   | ★ |
| Management override of controls              | <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 2013/14 confirming that they are monitored and reviewed on a regular basis</p> | ★ |



No issues noted



Satisfactory – minor observations noted



Requires improvement



Significant improvement required

# Risk management and internal control (continued)

## Current year observations

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

| Description   | Recommendation   | Management Response   |
|---|--|---|
| <p><b><u>Supplier Statements</u></b><br/>                     Statements for major suppliers are disposed of in the subsequent month therefore there were no March statements available</p>   | <p>We recommend that SAS file and retain supplier statements each month for a year before disposal</p>   | <p>Management confirmed that they will perform this exercise from next year onwards</p>   |
| <p><b><u>Revaluation/Impairment Schedule – Fixed Assets</u></b><br/>                     Management were unable to obtain a detailed download in relation to this work therefore a time-consuming manual reconciliation was required.</p> | <p>We recommend that SAS explore options to extract the required information direct from the system via consultation with the system administrator.</p> <p>If this is not possible we suggest that this exercise is completed on a monthly basis as this would make the process significantly easier at year-end</p> | <p>Management confirmed their intention to perform this exercise on a monthly basis and look into potential improvements which could be made in terms of the way the fixed asset system is utilised</p> |

# Risk management and internal control (continued)

## Prior year observations

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 12/13  | Results of 13/14 follow up  | Status |
|-----------------------------|--|---|--------|
| <b>NFI - Payroll</b>        | Human resources is not currently involved in the process of resolving payroll matches identified under NFI | HR are to be involved for the next round of matches where required. The next exercise will be in 2014/15. |        |
| <b>NFI – Monitoring</b>     | Internal audit is not currently involved in monitoring NFI procedures and processes                        | Should internal Audit (or indeed Counter Fraud services) be required we will involve them in the process  |        |
| <b>Fixed asset register</b> | An ambulance was identified which was no longer in use   | An exercise was performed in the year to reconcile the RAM system to the fleet system. No issues noted    |        |

### Key

Issue fully addressed and resolved

Issue addressed with some further improvements required

Issue not appropriately addressed

# Risk management and internal control (continued)

## Prior year observations (continued)

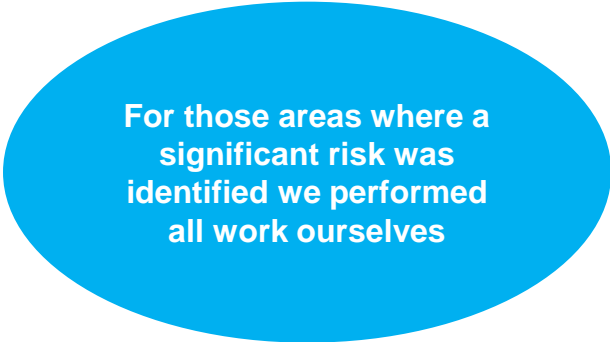
| Area               | Issue raised in 12/13   | Results of 13/14 follow up   | Status |
|--------------------|---|--|--------|
| <b>Stock count</b> | <ul style="list-style-type: none"><li>• Imprest and obsolete stock are not clearly segregated from other stock</li><li>• There is no clear record kept when stock is moved between the stores and the vans</li><li>• A number of staff had not received training on the new stock scanners.</li></ul> | <p>The insights generated from our prior year stock count have been actioned by SAS throughout the year with controls around segregation and movement of stock improved.</p> <p>Training of the staff on the new stock scanners is also completed.</p> |        |

# Internal audit and control

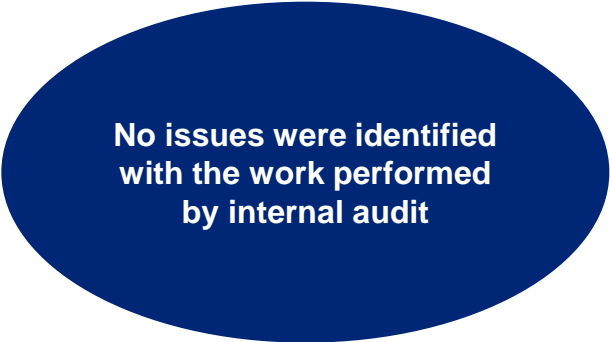
Our reliance on the work of internal audit was in line with plan

## 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:



For those 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

## What we report

Our report is designed to help the Audit Committee and the Accounting Officer and Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

## What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

## The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan dated 10 December 2013 and the supplementary "Briefing on audit matters" circulated to you.

We welcome the opportunity to discuss our report with you and receive your feedback.

*Deloitte LLP*

**Deloitte LLP**  
Chartered Accountants

Edinburgh  
19 June 2014

# Appendices

# Appendix 1 - Audit adjustments

## Uncorrected misstatements

There have been no uncorrected misstatements noted during the process of our audit work.

## Corrected misstatements

There have been no material corrected misstatements noted during the process of our audit work. There was one immaterial reclass of a debit balance within creditors.

## 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 to date in the course of our audit work.

## Appendix 2 - 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:

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|                                  |   |
|----------------------------------|---|
| <b>Independence confirmation</b> | 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. |
|----------------------------------|---|

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|             |  |
|-------------|--|
| <b>Fees</b> | 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. |
|-------------|--|

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|                           |  |
|---------------------------|--|
| <b>Non-audit services</b> | 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 £6,000 of non audit services fees earned in relation to an Outcome Based Budgeting pilot supported by Deloitte in the period from 1 April 2013 to 31 March 2014.

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|                      |   |
|----------------------|---|
| <b>Relationships</b> | 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.

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# Appendix 3: Fraud considerations

## Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.
- We are aware that management has the following processes in place in relation to the prevention and detection of fraud:
  - There is a Fraud Policy in place, which gives advice to staff on their role in the prevention of fraud and establishes SAS's procedures for prevention, detection and investigation of fraud. This is fully communicated to all staff and regular training is provided
  - Routine checks and monitoring are carried out by management to ensure that procedures are being followed. Both Internal and External Audit are seen as having an important role to play.
  - An Annual Return is submitted to the Scottish Government of all suspected and actual frauds.

## Responsibilities

### Your responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

### Our responsibilities

- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 3 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

*Appropriate arrangements are in place for maintaining standards of conduct and the prevention and detection of corruption.*

# Appendix 4 - Action Plan

## Our recommendations for improvement

| Area                       | Recommendation  | Management response  |
|----------------------------|---|--|
| <b>Supplier statements</b> | We recommend that the SAS file and retain supplier statements for the month of March moving forward   | Management confirmed that they will perform this exercise from next year onwards   |
| <b>Fixed assets</b>        | <p>We recommend that SAS look into finding out if there is a way to extract revaluation/impairment information from the system via consultation with the system administrator.</p> <p>If this is not possible we suggest that this exercise is completed on a monthly basis as this would make the process significantly easier at year-end</p> | Management confirmed their intention to perform this exercise on a monthly basis and look into potential improvements which could be made in terms of the way the fixed asset system is utilised |

***We followed up on our prior year recommendations which have all been appropriately addressed by SAS***

# Appendix 5 - Representation letter

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

Our Ref: SAS/2014

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 2014 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 2014 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.

## Appendix 5 - 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.
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.



## Appendix 5 - 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.

## Appendix 5 - 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

# Appendix 6: Future developments

## Information on NHS developments



### NHS Briefings

We regularly publish NHS Briefings designed to disseminate our insights on topical issues within the NHS in general. They focus on current issues facing the sector and ask questions to help readers assess if the issue is being appropriately addressed at their Board.

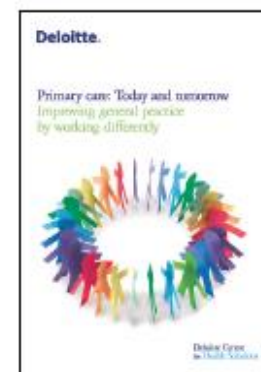
Briefings have covered a range of topics including Effective Boards, the Evolving Role of Governors, Narrative Reporting, Quality Accounts requirements, Human Resources, Mergers & Acquisitions in the NHS, Transforming Community Services, and the challenges of Monitor's Quality Governance framework.

### Deloitte UK Centre for Health Solutions

The Deloitte Centre for Health Solutions generates insights and thought leadership based on the key trends, challenges and opportunities within the healthcare and life sciences industry. Working closely with other centres in the Deloitte network, including the [US centre](#) in Washington, our team of researchers develop ideas, innovations and insights that encourage collaboration across the health value chain, connecting the public and private sectors; health providers and purchasers; and consumers and suppliers.

Recent studies include "Impact of European Austerity on Pharmaceutical policy and pricing", "Telecare and Telehealth", "Primary Care: Today and Tomorrow" and "Healthcare for the Homeless". The Centre's blog is at <http://blogs.deloitte.co.uk/health/> and upcoming studies include:

- The economic case for improving diagnostics in the UK
- Measuring the return from (pharma) innovation - is R&D earning its investment?
- Health and social care needs of the frail and elderly
- End of life care



# Appendix 6: Future developments (continued)

## Additional information on current and future technical developments

### Stay tuned online: Internet-based corporate reporting updates

The Deloitte UK Technical Team run a series of internet-based financial reporting updates, aimed at helping finance teams keep up to speed with IFRS, UK GAAP and other reporting issues.

Each update lasts no more than one hour, and sessions are held three times a year, at the end of March, July and November. Recordings of past sessions are available via [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit).

### Our range of publications

Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance; 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 and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.

### Audit podcasts

Our leading experts provide you with a short discussion of new IFRS standards and practical insights. These can be accessed via our website, [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit). Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

### IASPlus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. It includes:

- Summaries of all IASB standards and interpretations;
- Background on all IASB and IFRIC agenda projects plus summaries of all IASB and IFRIC meetings;
- Comparisons of IFRSs and various local GAAPs;
- Updates on national accounting standards development in around 80 countries and regions throughout the world; and
- Free e-learning modules for each IAS and IFRS – made available at no charge in the public interest.

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>



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