

External Audit Report for Scottish Ambulance Service

Financial year ended 31 March 2021

Prepared for the Board of Scottish Ambulance Service (SAS)
and the Auditor General for Scotland

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Board or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This table summarises the key findings and other matters arising from the external audit of Scottish Ambulance Service (SAS) and the preparation of the group and Board's financial statements for the year ended 31 March 2021 for those charged with governance ('the Board') and the Auditor General for Scotland.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Board's financial statements give a true and fair view of the financial position of the group and Board and the group and Board's net expenditure for the year;
- the group and Board's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (FReM), alongside the NHS Manual for Accounts;
- the group and Board's financial statements and the audited parts of the Remuneration and Staff Report have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers;

We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We are required to express an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Our audit work was completed remotely during May 2021. Our findings are summarised on pages 22 to 23. We have identified four adjustments to the financial statements that have resulted in a £1,500 adjustment to the Board's net expenditure for the year. Audit adjustments are detailed in Appendix 1 and this included some disclosure corrections which were noted throughout our testing, a correction to the audit fee recognised, a reclassification between current and non-current liabilities following the receipt of the CNORIS provision and a correction to the overstatement of prepayments which had not yet been paid for. In addition, we have included the adjustment required to recognise SAS as an agent for personal protective equipment procured centrally, which impacted both RRL funding and expenditure equally, explained further within our Appendix.

We have also raised one recommendation for management as a result of our audit work in Appendix 2 in relation to journals controls. Our follow up of recommendations from the prior year's audit are detailed in Appendix 3. We are pleased to report there were no uncorrected misstatements to the financial statements arising during our audit.

We conclude that the Remuneration and Staff Report, subject to audit, has been prepared in accordance with requirements and is materially correct. Within our audit testing we did not identify any non-compliance with laws and regulations and our regularity opinion is unmodified.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of the organisation and the financial statements we have audited.

Our audit report opinion (audit report) is unmodified.

Executive Summary

Wider scope audit

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code of Audit Practice requires auditors to consider the Board's arrangements in respect of the wider dimensions of public audit covering: financial management; financial sustainability; governance and transparency; and, value for money.

In our Annual Audit Plan we documented our assessment of wider scope risks and planned audit work. Through our audit procedures we have not identified any further wider scope risks. In accordance with the Code, we outline the work undertaken in response to the risks and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

In 2020/21 the Board operated within its financial resource targets, achieving this while operating in a period of considerable uncertainty as the Board looked to respond to the operational and financial challenges in managing the impact of Covid-19 on service delivery. This breakeven position relied on non-recurring savings of £3.5 million, non-recurring slippage of £2 million alongside the funding of £2 million for the underachievement of savings targets in the year due to the pandemic, classed as a Covid-19 costs. This has resulted in a £7.5 million recurring deficit being brought forward to 2021/22.

To support the Board's ongoing response to the global pandemic and recovery plan, the Board received an additional £22.1 million of revenue funding in year to cover additional pay and overtime for staff, to support the training of students and additional staff for the Covid-19 response at the NHS Louisa Jordan in Glasgow, additional air ambulance costs as well as additional costs for remobilisation and cleaning/personal protective equipment (PPE) supplies. A further £14.3 million of funding was provided to support the set-up of Mobile Testing Units.

Looking toward 2021/22, SAS prepared a detailed financial plan outlining the impact of Covid-19 in 2020/21 and the impact this has had on their opening balance for the 2021/22 budget. The plan considers cost pressures for 2021/22, based on assumptions which take into account the ongoing impact of Covid-19 and a projected efficiency gap of £15.3 million. Savings plans of £9 million have been identified to address this gap from the Best Value and efficiency programmes, however, a £6.3 million gap of unidentified savings remains. Additionally, it is acknowledged that many of the assumptions in relation to the funding of recurring Covid-19 and remobilisation costs may be inaccurate, and there is a risk that financial pressures will increase if these are not agreed with Scottish Government.

SAS made changes to their governance structure in response to the pandemic with Board and Committee meetings carried out using virtual technology and agendas refreshed to ensure the inclusion of key items. In addition, to capture decisions made at pace throughout the pandemic and provide transparency, there was the introduction of a weekly report to non-executive directors summarising performance and other information. Governance arrangements were maintained throughout the pandemic, with appropriate enhancements made to ensure decisions were made with appropriate scrutiny and oversight.

There continued to be a focus on performance throughout the year, with a Quality Indicators Performance Report being submitted to each Board meeting. There was recognised slippage in the year against the Best Value programme and other local efficiency savings plans, although progress was still made. SAS have recognised the need to reinvigorate these programmes and have been working to identify where savings can be made. The identification of these savings will be key to the financial sustainability of SAS in the future.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff amidst the pressure they were under during these unprecedented times.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2021 at SAS. The scope of our audit was set out in our External Audit Plan communicated to the Audit Committee on the 31st March 2021.

The main elements of our audit work in 2020/21 have been:

- An audit of SAS's annual report and accounts for the financial year ended 31 March 2021;
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2016 ('the Code') covering: financial management; financial sustainability; governance and transparency and value for money;
- Monitoring the SAS's participation in the National Fraud Initiative (NFI); and
- Any other work requested by Audit Scotland in particular the NHS overview data set which we will receive in June, for completion by end of August. .

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

SAS is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. The Board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to management and those charged with governance through our external audit work. We use our wider public sector knowledge, to deliver an ISA risk based compliant audit, based our determined materiality. We seek to provide constructive recommendations designed to support management mitigate areas of risk and strengthen the organisation's control environment.. Through our wider scope work and interactions, including those at Audit Committee meetings, we seek to help the organisation identify and promote good practices whilst supporting improvements across the wider scope audit dimensions.

Audit of the annual report and accounts

Key messages and judgements

We have issued an **unmodified** audit opinion on the annual report and accounts.

We have identified four adjustments to the financial statements that have resulted in a £1,500 adjustment to the Board's net expenditure for the year.

We have also raised one recommendation for management as a result of our audit work in Appendix 2

Our audit opinion

For the financial year ended 31 March 2021 we have issued an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The audit process

In accordance with our annual external audit plan, our audit work commenced on 3rd May 2021. We received the primary financial statements and related notes in line with our agreed timetable which Management had prepared based on the Scottish government Health and Social Care Directorate template accounts. In addition, later in May in line with our agreed timetable, we received a well prepared draft front end of the accounts, including other information.

There were four audit adjustments to the draft primary financial statements. There were no unadjusted misstatements to the accounts. We also identified a number of disclosure adjustments in respect of the draft financial statements. A full listing of adjusted misstatements is detailed in Appendix 1.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit Committee. We updated our audit materiality to reflect the 2020/21 draft financial statements. It is set at £6.43 million for the Group (Board only: £6.43 million), representing 1.8% of gross expenditure. Performance materiality was set at £4.5 million for the Group (Board only: £4.5 million), representing 70% of our calculated materiality.

We report to management any difference identified over £250,000 (Trivial capped at £250,000 by Audit Scotland).

We applied a lower materiality threshold for Directors Remuneration disclosures within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000)

Service auditors report

SAS utilise a number of shared IT systems, IT applications and processes with other Scottish health boards. Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements. During 2020/21 the service audit reports from KPMG on NSS Payroll and NSS' National IT contract for services provided by ATOS Origin Alliance supporting eFinancials were unqualified, the KPMG report on NSS Practitioner & Counter Fraud Services was qualified. The BDO service auditor report over National Single Instance (NSI) eFinancials was unqualified.

We adopt a fully substantive audit approach and therefore while we consider the findings from the Service auditor reports and the impact on our audit procedures, we do not place direct reliance on their work. From consideration of the reports we are satisfied that the qualified opinions do not impact on our audit work. In addition, the deficiencies identified in the qualified report do not materially impact SAS and, we, therefore, do not believe that a disclosure in the Annual Governance Statement is required for this.

Internal control environment

In accordance with ISA requirements we have developed an understanding of the Board's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Scottish Ambulance Service's financial performance during 2020/21

SAS met its financial targets for 2020/21. The Board delivered a break-even position, achieving a small surplus of £55,000 against its Resource limits. A breakeven position was achieved against the capital resource limit set.

Despite achieving a small surplus position in 2020/21, SAS continue to operate within a challenging financial environment, relying on non-recurring savings of £3.5 million, non-recurring slippage of £2 million and the underachievement of savings targets of £2 million being fully funded against Covid-19 costs to achieve the in-year financial budget. This has resulted in a £7.5 million recurring deficit being brought forward to 2021/22.

Capital Expenditure

The biggest capital spend this year was against the Fleet Replacement Programme, with total capital spend for the year of £21.8 million.

	Resource Limit £'000	Outturn Expenditure £'000	Variance (over)/under £'000
Revenue resource limit – core	336,338	336,283	55
Revenue resource limit – non-core	15,581	15,581	-
Capital Resource Limit	21,835	21,835	-

SAS's financial performance 2020/21 - The Impact of Covid-19

SAS received funding from the Scottish Government for Covid-19 on the 29th of September 2020. A second tranche of funding was confirmed at the end of December. For SAS, this also included the funding of unachieved efficiency savings of £2 million and provision of personal protective equipment.

Covid-19 had a impact on SAS's operating activity and costs during the year. To support the Board's ongoing response to the global pandemic and recovery plan, the Board received an additional £20.1 million of revenue funding in year, excluding the £2 million of funded unachieved savings targets.

Additional Covid-19 costs have been funded for the key areas of Covid-19 spend, outlined within the table. This includes £4.8 million staff costs to cover increased levels of Covid-19 related sickness and self-isolation as well as backfilling staff seconded to support the service's response to the pandemic. Temporary staff were hired to support the Covid-19 response, including students at the Louisa Jordan in Glasgow. Additional air ambulance and third party support of £4.4 million to support the provision of additional aircraft transfers. £3.5 million remobilisation costs to support digital transformation, new working arrangements and estates reconfiguration and £3.6 million worth of personal protective equipment.

The Board also received free fuel from BP from March-June 2020/21. These savings were offset against the additional Covid-19 expenditure.

SAS anticipate that an additional £11.6 million of Covid-19 funding will be required in 2021/22. This is to fund the following

- additional pay costs of £5.8 million given continued increased demand, managing staff absences, catching up on staff training and other activities which were reduced during 2020/21 and managing social distancing.
- Additional non-pay costs of £3.8 million given the increased requirement for cleaning, waste disposal and infrastructure costs (supporting social distancing) and an assumed continued use of Loganair for 6 more months
- £2 million additional funding for unachieved efficiency savings, which given operational impact of Covid-19 may not be achieved in 2021/22.

A further £5.3 million of costs are expected to fund SAS's remobilisation and recovery programme. Additional costs are anticipated to continue beyond 2021/22.

In addition to the costs outlined above, a further £14.3 million of funding provided to support the set-up of Mobile Testing Units (MTU), recruiting over 1,300 staff for 42 different sites nationally. SAS is currently delivering MTUs across Scotland with the service coming into effect from the end of August 2020 with plans for the service to continue into 2021/22. The expenditure to date is made up of £12.3 million pay costs and £1.8 million non-pay costs. SAS anticipate that a further £19 million of costs will be incurred in relation to MTUs in 2021/22, all of which is expected to be fully funded.

Key areas of Covid-19 revenue spend	£million
Additional pay & overtime	4.8
Additional temporary staff incl. Louisa Jordan	2.1
Supplies and equipment (PPE, cleaning materials etc.)	2.3
Air Ambulance and third party support	4.4
Remobilisation	3.5
Off-setting saving (fuel)	(0.6)
Efficiency Saving Underachievement	2.0
Personal Protective Equipment	3.6
Total	22.1

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.</p> <p>We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement. This includes manual journals as well as critical judgements or estimates.</p>	<ul style="list-style-type: none"> • We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures. • We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2021 and retrospective review of those estimates as at 31 March 2020. • Journals testing including: <ul style="list-style-type: none"> • Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger; • Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger; and • Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction. <p>Conclusion</p> <p>Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions. We did not identify indication of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement.</p> <p>Our testing noted, however, that the authorisation/review of journals is not being consistently applied, with a small number of journals which had not been authorised either prior to or subsequently after being posted to the ledger. Additionally, in a couple of instances, for journals including material accruals such as the Holiday Accrual, the calculations were not subject to scrutiny or secondary review. No errors were noted in relation to these journals, however without secondary review, there is an increased risk of error. A management action has been raised in Appendix 2 in relation to this. Action plan point - 1</p>

Risks identified in our Audit Plan

Risk of fraud in expenditure recognition

As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems there is less opportunity for the risk of misstatement in this expenditure stream. The Board's gross expenditure includes expenditure with other Scottish Boards which are relatively well forecast and inter-Board expenditure agreements, therefore we do not consider there to be a significant risk of fraud in these expenditure stream. We focus our risk on other material expenditure stream including Goods and Service with other UK NHS bodies and voluntary organisations. As financial performance targets are measured on year end outturn, we consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.

Commentary

- We performed walkthroughs of the controls and procedures over other operating expenditure streams;
- Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording;
- Focused substantive testing of expenditure recognised post year end to identify if there is any potential understatement to address the risk of cut-off;
- Focused substantive testing of expenditure in the final two months of the year to identify if this has been potentially overstated to address the risk of cut-off; and
- Review of accruals and provisions, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.

Conclusion

Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or provisions balances at year end. However, our testing of prepayments identified a couple which were incorrectly classed as prepayments with a corresponding entry to trade payables/accruals, this resulted in assets and liabilities both being over-stated on the balance sheet and which has now been corrected. This had no impact on SAS's expenditure balance. An adjustment has been raised for this at Appendix 1

Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of the SAS (regularity testing).

Significant estimates and judgements

SAS's financial statements including the following significant accounting estimates and judgements impacting on the annual accounts:

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of property, plant and equipment £0.338 million	<p>SAS holds property, plant and equipment at fair value. Valuations of land and buildings are reassessed by professional valuers, Valuations Office Agency, annually. During 2020/21 the revaluation resulted in a net increase in the carrying value of property, plant and equipment of £338,000.</p> <p>Land and buildings were revalued on the basis of Existing Use Value (EUV) for non specialised properties and Depreciated Replacement Cost (DRC) for a number of specialised properties. The remaining specialised properties not revalued were indexed at that date using indices supplied by the Building Cost Information Service (BCIS).</p> <p>Management have disclosed within their accounts that the estimates and judgements used may cause a risk of material misstatement to the carrying amount of assets. They have addressed that they rely on the professional judgement of valuer's and the estimates they provide for the valuation of property, plant and equipment.</p>	<p>We have agreed the revaluation to the independent revaluation report and agreed the underlying accounting entries.</p> <p>We have performed an assessment over the professional valuer.</p> <p>We are satisfied that the revaluation has been appropriately reflected in the financial statements.</p>	Light purple
Pension provisions and injury benefit £10.74 million	<p>SAS provides for future estimated payments in relation to permanent injury benefit awards to former employees as well as amounts relating to former employees who retired early in the interests of the service. The total amount provided at 31 March 2021 was £10.74 million.</p> <p>Management utilise information provided from the Scottish Public Pensions Agency in arriving at the estimate of future liabilities as at 31 March.</p>	<p>We are satisfied that the provision has been appropriately calculated in accordance with the NHS Accounts Manual and has been independently agreed to supporting information from the Scottish Public Pension Agency and HM Treasury which we have reviewed as an appropriate source of management evidence and that the provision has been disclosed appropriately in the accounts.</p>	Light purple

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Clinical and medical legal claims and CNORIS provisions £4.7 million	SAS provides for Clinical and medical legal claims against the Board. SAS participates in the Clinical Negligence and Other Risk Indemnity Scheme (CNORIS). SAS contribute annually to the CNORIS scheme. Audit Scotland have provided an independent assessment of the suitability of the CLO as Management expert and a review of the Scottish Government methodology to calculate CNORIS provisions.	<p>We have reviewed clinical and medical legal claims and CNORIS provisions and have confirmed that the amounts recognised are in accordance with advice received from the Central Legal Office in relation to claims outstanding against the Board.</p> <p>We are satisfied that the provision has been appropriately reflected in the financial statements.</p>	Light purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other Areas of Judgement

Area of Judgement	Summary of management's approach	Audit Comments
Personal Protective Equipment £1.427 million	There is a judgement and a degree of estimation over the personal protective equipment balance of £1.427 million. This amount relates to lateral flow testing kits received from the UK Government with the amount to be included in the accounts notified by NSS. Whilst this is not significant enough to require disclosure in the Board's Accounting Policies, we have considered the judgements used to determine the figure for completeness.	<p>We have reviewed the figure provided by NSS and the assessment performed by NSS's auditors, Audit Scotland, regarding the appropriateness of the calculation. We have relied on Audit Scotland's conclusion that the degree of estimation used in assessing processing costs was appropriate and reasonable and that the allocation of costs to Boards was accurate.</p> <p>We are satisfied that personal protective equipment has been appropriately reflected in the financial statements.</p>

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Board and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2020/21 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit Committee, concerning the Boards' policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Board's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Board's financial performance for the year and potential management bias in determining accounting estimates, especially in relation to the calculation of accruals. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 9.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Board's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Board's control environment, including the policies and procedures implemented by the Board to ensure compliance with the requirements of the financial reporting framework.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of the Board's accounting policies, accounting estimates and financial statement disclosures and have identified no matters to highlight for your attention.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.
Opinion on other aspects of the annual report and accounts	We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the National Health Service (Scotland) Act 1978 (the Act), and directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required by the Code and are satisfied that these have been properly prepared in accordance with applicable legislation. The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the Act and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Act and directions made thereunder by the Scottish Ministers.

Issue	Commentary
Governance statement	<p>The governance statement is included within the Accountability Report. The report outlines the governance framework in place at SAS. The Report includes the Statement of the Accountable Officer's responsibilities and those of the members of the Board and had been prepared in accordance with the FReM and NHS Scotland Manual for Accounts. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value. Through our audit work over the wider scope audit dimensions: financial management; financial sustainability; governance and transparency; and, value for money, we have considered the arrangements in place at the Board for securing Best Value.</p> <p>At SAS, Directors certify to the Chief Executive that appropriate arrangements are in place within their directorate to deliver best value. These, along with wider assurances through financial and non-financial performance and internal controls and governance arrangements, provide assurances to the Chief Executive to express an opinion on the status of governance arrangements during the year for the purposes of updating the governance statement in the annual report. The Governance statement reflects these assurances and conclusions reached by the Board's Internal Audit function in year.</p>
Matters on which we report by exception	<p>We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
Written representations	<p>A letter of representation has been requested from the Board, including specific representations in respect of the Group, which is included in the Audit Committee papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for property, plant and equipment valuations, provisions and accruals.</p>
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Board meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management's assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Issue	Commentary
Regularity	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>
National Fraud Initiative	<p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the health board, received matches for investigation in January 2021. All recommended matches plus any further matches based on findings and the risk of error or fraud should be investigated by 30 September 2021 and the results recorded on the NFI system.</p> <p>As part of our audit work in the current year we considered the progress made by SAS in investigating matches. The Board has made good progress in investigating matches and should be in a position to complete and record all investigations by 30 September 2021. As at May 2021, management had investigated 643 out of 750 matches. We conclude that SAS is fully engaged in the NFI process.</p>

Wider scope audit

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work the wider scope audit dimensions: financial management; financial sustainability; governance and transparency and value for money. We take a risk based audit approach, utilising our cumulative audit knowledge of the organisation and understanding of its risks and priorities. Within our annual audit plan we identified two significant wider scope risks in relation to medium term financial sustainability and governance and transparency during the Covid-19 pandemic. As part of our audit work we have not identified any further wider scope audit risks.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Financial Management</p> <p>Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively</p>	<p>No significant wider scope risks identified</p>	<p>Through our cumulative audit knowledge and planning risk assessment we did not identify any significant audit risks in relation to the Board's financial management arrangements.</p> <p>We have assessed the Board's financial performance in year (pages 7 and 8). The Board operated within its financial resource targets, achieving this while operating in a period of considerable uncertainty as the Board looked to respond to the operational and financial challenges in managing the impact of Covid-19 on service delivery. SAS received an additional £20.1 million of revenue funding to cover costs relating to their Covid-19 response. In addition, the Board received additional funding of £14.3 million to support the set-up of the Mobile Testing Units, recruiting over 1,300 staff for 42 different sites nationally.</p> <p>Covid-19 resulted in the introduction of new financial controls which were formalised within a document 'Financial Guideline note during Covid-19.' This outlined to both management and budget holders the approval controls around pay, non-pay, capital and PPE costs. The guidelines were clear, and changes made were in line with original Standing Financial Instructions (SFIs).</p> <p>Further to this, a change in April 2020 was proposed relating to Payments to Suppliers during Covid-19. This outlined that normally in order for a supplier invoice to be paid there needs to be a purchase order and goods receipt note, however in certain circumstances this could be waived, provided goods were receipted or where not, there is approval from the Director of Finance. However, the changes made were not reflected in the SFIs, with the proposed changes only noted by the Audit Committee. As per the Audit Committee Terms of Reference, the Committee are to advise the Board on changes to the SFIs, and we would have expected these changes to be approved by the Board.</p> <p>As part of our financial statements audit, we considered the arrangements in place for monitoring and scrutiny of financial performance in year, including oversight from Management and those charged with governance. This has included inquiry of Management and review of minutes, papers and other corporate publications.</p>	<p>Through our audit procedures we have not identified any significant risks in relation to SAS's financial management arrangements.</p> <p>However, we noted that changes to the terms for paying suppliers were communicated to the Audit Committee, but not highlighted to the Board or updated in the SFIs. This finding has been communicated to management verbally and subsequent changes to the SFIs were made.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<p>Significant risk identified: Medium Term Financial Sustainability</p> <p>Recognising the additional costs incurred in 2020/21, and the impact the pandemic has had on the Board's wider best value work and transformation plans, we have considered how SAS have identified financial pressures in future years. We have sought to understand the future financial position of the Board for 2021/22 and beyond, in the context of the financial framework and the work that is underway to secure future financial sustainability.</p>	<p>Response to significant risk:</p> <p>In 2019/20 SAS prepared a 3-year financial plan, in line with the Medium Term Health and Social Care Financial Framework. For 2021/22, the Scottish Government requested a one-year financial plan, reflecting the impact of Covid-19 on service delivery and finances. We reviewed the one year plan for 21/22 including the key assumptions and cost pressures which had been identified.</p> <p>SAS have prepared a detailed financial plan, outlining the impact of Covid-19 in 2020/21 and the impact this has had on their opening balance for the 2021/22 budget. This considered slippage against savings targets and a carried forward recurring deficit of £7.5 million. This is a reduction on the prior year recurring deficit position of £9 million, but is a lower reduction than anticipated, before the impact of Covid-19.</p> <p>The plan considers cost pressures for 21/22, based on assumptions which we deem to be reasonable and a projected efficiency gap of £15.3 million. Savings plans of £9 million have been identified to address this gap from the Best Value and efficiency programmes. Sufficient detail as to what savings will be delivered by which programmes have been included in the plan. The plan recognises that there remains a significant gap of £6.3 million, and given the prioritisation of Covid-19 this will be challenging. There is focus on identifying efficiencies to close this gap and it will be monitored throughout the year. Identifying savings to reduce this gap was recognised as an audit finding in last years audit report – we have noted at Appendix 3 below that this action is still ongoing as relates to the current year too.</p> <p>Out with these cost pressures, SAS has considered the impact of Covid-19 costs on their core service for the 21/22 financial year and beyond. Our review of the cost assumptions confirm they are reasonable, including a reduction in efficiency savings of £2 million as a result of the pandemic. However it should be noted that it is assumed funding will be received from Scottish Government for all Covid-19 and remobilisation costs in 2021/22. Additionally, recurring funding of £4.4 million Covid-19 costs and £6.6 million remobilisation is assumed for 2022/23 and beyond. There is a risk that the funding position in relation to Covid-19 and remobilisation costs will change, especially in relation to 2022/23 and this might further impact SAS's efficiency gap. Additionally, SAS have not received confirmation that all costs will be covered in the upcoming year, and there is a risk around the funding of unachieved efficiency savings. This risk, along with other risks to the financial plan are acknowledged by SAS.</p> <p>It should be noted that the support of Mobile Testing Units is incorporated into the plan on the assumption this will be fully funded, which we deem reasonable.</p>	<p>SAS have considered their financial sustainability for 2021/22, in line with Scottish Government requirements, incorporating key assumptions and risks. In addition, the impact of Covid-19 on financial plans in future years has been considered.</p> <p>Efficiency savings of £9 million have been identified to meet the £15.3 million funding gap, leaving a further £6 million to be identified. This is being closely monitored.</p> <p>There remains a great deal of uncertainty due to Covid-19 and the financial plan, including how operational pressures may further impact on the Board's ability to achieve savings targets and Scottish Government's position on funding recurring Covid-19 in 2021/22 and beyond.</p> <p>SAS will need to closely monitor performance against the plan to identify any slippage. It remains critical that they can identify further savings on a recurring basis to address the remaining £6 million funding gap and support the Board's underlying financial sustainability.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Governance and transparency</p> <p>Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Significant risk identified:</p> <p><i>Governance and Transparency during the Covid-19 Pandemic</i></p> <p>SAS's governance arrangements have continued to operate during the financial year making use of digital technology. We sought to understand the governance arrangements established, including any changes to the scheme of delegation and increased decision making responsibilities. We considered the transparency of arrangements and how these supported decision making.</p>	<p>Response to significant risk:</p> <p>The Board approved revised governance arrangements in response to COVID-19 at its meeting on 26 March 2020 with subsequent reviews held on 15 April 2020, 27 May 2020, 30 September 2020 and 31 March 2021 to provide added value in terms of better scrutiny, decision making, recording and reporting.</p> <p>Changes to the governance structure made in March 2020 included:</p> <ul style="list-style-type: none"> - Board and Committee meetings carried out via virtual technology - The current schedule of Board and Board committee meetings would be maintained, with agendas refreshed to ensure the inclusion of key items. - The Chair and Chief Executive jointly provided a weekly report to non-executive directors summarising performance and other relevant information including decisions which were being taken at pace throughout the pandemic. <p>In September 2020 it was revised that the weekly report to non-executive directors could reduce in frequency depending on the stability of operations. These practices were agreed to continue at the review in March 2021. We reviewed a sample of these reports to understand their content. They varied over the course of the year but provided information including financial updates, the risk register, staff affected by Covid-19, demand predictions and updates from the Scottish Government. The introduction of these reports ensured changes to the service and key decisions being made were transparent and appropriately recorded.</p> <p>Recognising that no committees were stood down during Covid-19, no changes to the scheme of delegation was required, as committees carried out their normal responsibilities throughout the year. Our review of committee agenda and papers did not identify any gaps in the governance process during the Covid-19 pandemic. Good governance arrangements were maintained throughout, with the enhancements made allowing for decisions to be made at pace whilst ensuring oversight and transparency.</p> <p>In April 2020 SAS's internal auditors reported that the Board had made good progress against its action plan following the Blueprint for Good Governance self-assessment. The Board continued to progress these actions in light of the revised governance arrangements, with good progress being made.</p>	<p>Through our audit procedures we have not identified any significant risks in relation to SAS's arrangements for ensuring appropriate governance and transparency.</p> <p>Clear governance routes were maintained during the Covid-19 pandemic with enhancements to the process made, including additional measures put in place to ensure transparency of decision making between the executives and non-executives.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Value for money Value for money is concerned with using resources effectively and continually improving services.</p>	<p>No significant wider scope risks identified</p>	<p>From review of minutes and committee papers, there is focus on performance and effective use of resources. SAS continued to look to enhance how it can, through best use of public resources, create and maximise public value.</p> <p>At each meeting, the Board receives a Quality Indicators Performance Report. This paper highlights SAS’s performance against their Operational Delivery Plan for clinical, operations (including scheduled and unscheduled care) and staff experience measures. The report includes performance against targets, underlying reasons for variances and any next steps to drive future improvements. A Board Development session on the 28 October 2020 considered the structure, content and detail of the Board Performance report and there are plans in place to potentially re-design the paper. This work has currently been paused given the operational pressures from the Covid-19 pandemic.</p> <p>The Board is currently working towards developing its new strategy, towards 2030, following on from the ‘Towards 2020: Taking Care to the Patient Strategy.’ It is important that the strategy focuses on how SAS will look to maximise its use of resources, incorporating any changes to service delivery as a result of the pandemic while delivering positive outcomes for patients. Progress of developing the new strategy has been delayed due to the operational pressures of Covid-19.</p> <p>SAS established a Best Value programme and other local efficiency plans focusing on improvements in controls of managing both pay and non-pay expenditure. Prior to Covid-19 there was good engagement in the programme, however during 2020/21 there was some slippage as a result of operational pressures. SAS have recognised the need to reinvigorate these programmes and has been working to identify where savings can be made.</p> <p>It is important that SAS continue to focus on performance and making the best use of resources as we emerge from the pandemic.</p>	<p>Through our audit procedures performance we have not identified any significant risks or deficiencies in relation to SAS’s value for money arrangements.</p> <p>We are satisfied that performance is considered by the Board regularly and improving services to maximise public value is considered high importance. Additionally, financial plans are prepared whilst considering the impact on services.</p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements, whether or not the accounts have been adjusted by management. We are pleased to report there were no uncorrected misstatements to the financial statements arising during our audit.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
External Audit Fee Expense recognised incorrectly [Management Identified]	Audit Fee Expense - Dr £1.5	Current Liability – Cr £1.5
Reclassification between current and non current liabilities on receipt of finalised CNORIS provision [Management identified]		Non Current Liability – Dr £1,188 Current Liability – Cr £1,188
Overstatement of Trade Payables/Accruals and Prepayments for services not received nor paid for [Audit Identified]		Trade Payables – Dr £220 Accruals – Dr £35 Prepayments – Cr £255
Adjustment for inclusion of personal protective equipment, recognising SAS are an agent for this stock procured centrally ⁽¹⁾ [Management Identified]	Drugs and Medical Supplies– Dr £5,022 Donations – Cr £1,427 Funding (RRL) – Cr £3,595	
Overall impact	Dr £1.5	Cr £1.5

⁽¹⁾ An adjustment in relation to personal protective equipment (PPE) has been raised, recognising the late revision for NHS Boards to account for the stock procured centrally as an agent. SAS received PPE and community testing kits from NSS which is required to be accounted as a non-monetary grant and expense, reflected in the Boards expenses with a corresponding increase to RRL funding. In addition, SAS received lateral flow testing kits from the UK Government, which were required to be accounted for as a donation with these being recognised as an expense. This adjustment had no impact on the Board's outturn position as it impacted income and expenditure equally.

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Financial Instruments	Note 18b discloses trade and other payables as £31.085 million, where as this should be £31.685 million. In addition trade receivables and cash & cash equivalents are disclosed as being measured at fair value through the OCI where as these are measured at amortised cost	✓
Correction of capital commitments disclosure	The initial excel accounts template had omitted the capital commitments value of £26.3 million. This was corrected in the first word version of the accounts.	✓
Consolidation	<ol style="list-style-type: none"> 1. Within the consolidated SOCNE, Board only figures for medical costs and other healthcare expenditure need to be updated to £5,685k and £39,480k respectively. 2. Within the consolidated SoCF the movement in net debt/cash has been amalgamated for the Board and endowment fund and this is required to be split out. 	✓
Commitments under Leases	<p>Calculation behind the disclosure was incorrect. This requires an adjustment to each year to the 'Other' commitments under leases disclosed:</p> <ul style="list-style-type: none"> - Not later than one year – to be reduced by £144,607 - Later than one year, not later than two years – to be reduced by £235,255 - Later than two years, not later than five years – to be reduced by £674,063 	✓
Remuneration Report	<p>Disclosure adjustments required including</p> <ul style="list-style-type: none"> - Inclusion of benefits in kind within the fair pay disclosure as total remuneration - Separately disclosing fixed term staff from permanent staff within the Staff costs disclosure, reflecting that as a result of MTU this is now a significant category of staff 	✓
Contingent Assets and Liabilities	Due to a transposition error, both contingent assets and liabilities were understated and required to be increased by £225k.	✓
Cross-references to Notes	On review of the final set of accounts, we identified a few errors in cross-references between Notes to the Financial Statements and management decided not to adjust for these. Given these were minor and did not impact the primary statements or figures reported within the accounts, we were comfortable that not adjusting for these discrepancies did not impact our ability to give an unmodified opinion.	X

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2020/21, the one significant recommendation arising from our audit work.

Recommendation

1. Journals Documentation

Through our journals testing it was noted that the authorisation/review of journals is not being consistently applied, with a small number of journals which had not been authorised either prior to or subsequently after being posted to the ledger. Additionally, in a couple of instances, for journals including material accruals such as the Holiday Accrual, the calculations were not subject to scrutiny or secondary review. No errors were noted in relation to these journals, however without secondary review, there is an increased risk of error. This was recognised as an area for improvement by management.

It is recommended that tighter controls are put in place to ensure journals are appropriately authorised ideally prior to being posted on the ledger. Additionally, where journals include calculations, especially those material in nature, we recommend a secondary review of the calculation is performed to ensure its accuracy.

Agreed management response

Management response: Recommendation accepted. The journal issue has been primarily to offsite working, however this is important to recognise the financial controls need to be maintained and sometimes in these circumstances strengthened. The Head of Finance will review this and other controls assuming offsite working is likely to continue in some form for the foreseeable future. In relation to secondary signing this is also accepted. The Holiday pay accrual given the materiality of it in this year was costed by the Head of Finance (in a senior position), however it remains important this is secondary checked.

Action owner: Financial Controls review and offsite working – Head of Finance

Secondary signing controls review – Deputy Director of Finance

Timescale for implementation: Both completed by August 2021

3. Follow up of 2019/20 recommendations

We set out below our follow up of our 2019/20 recommendations and these are reflected below for information.

Financial Management

SAS's outturn position was achieved through the delivery of £12.7 million of efficiency savings. This included a number of Directorate Savings delivered across the Board's service lines including those plans identified and delivered through Best Value initiatives. The outturn position includes £4.1 million of slippage and a further £5 million of savings which are non-recurring leading to a total underlying deficit of £9.1 million being carried forward into 2020/21. While we recognise SAS continued to deliver its outcomes, it demonstrates the Board's reliance on non-recurring savings to achieve financial balance. It is critical that the Board develop a sustainable operating model that delivers financial balance while supporting strategic investment. The financial plan 2020-23 has identified cost pressures totalling £57.115 million in the coming three years. While efficiencies and savings have been identified there are residual unidentified savings of £5.6 million which need to be identified and achieved alongside planned slippage of £2m in 2020/21 in order for SAS to breakeven in each of the three financial years. The identification of further savings required to breakeven should be closely monitored to assist in achieving financial balance.

Responsible office: Director of Finance, Strategy and Logistics

Initial management response: The issue of securing financial sustainability is a key feature of the SAS Financial plan 2020-23. The plan describes how the Service plans to reduce the underlying deficit of £9.1m in 2020 to £2m in 2022/23 through a plan of implementing recurring efficiency savings. This remains a key focus of the Board.

Follow up: ONGOING

It was acknowledged in managements' original response that financial sustainability would remain a key focus and that the efficiency savings would be reviewed over the 3-year period. Given the impact of Covid-19, there was slippage in 2020/21 against planned targets and additional cost pressures for 2021/22 were identified for which £6.3 million of unidentified savings are required. This is discussed further within our Wider Scope Financial Sustainability section.

We recommend that management continue to identify the savings required to reach a breakeven position and progress against targets should be closely monitored.

Journal template - Controls

Inspection of the journal listing for the financial year identified a number of journal entries which had a posting date in financial years prior to 2019/20. Discussions with management and inspection of journals identified that these journals did relate to financial year 2019/20 but had been uploaded using rolled forward journals templates and the date had not been updated. Although this does not have an impact on the financial information within the accounts there is a risk that these journals could undermine transparency of the journal review process. We recommend that all journal templates used for uploading are posted with the correct date.

Responsible office: Head of Finance

Initial management response: Action agreed and noted. A date review process will be put in place within the finance team.

Follow up: CLOSED

A process has now been introduced to identify journals posted with the incorrect date.

4. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	69,180
Pooled costs	7,580
Contribution to Audit Scotland costs	3,480
Contribution to Performance Audit and Best Value	Nil
2020/21 Fee	80,240

Fees for other services

Service	Fees £
We confirm that for 2020/21 we did not receive any fees for non-audit services	Nil

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

5. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of Scottish Ambulance Service's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

