

Scottish Ambulance Service (SAS)

Financial year ended 31 March 2022

Annual External Audit Report to those charged with
Governance and the Auditor General for Scotland

Final External Audit Report 29 June 2022



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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 Scottish Ambulance Service (SAS) 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 financial statements for the year ended 31 March 2022 for those charged with governance.

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 United Kingdom, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (FReM), and the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder.
- expenditure and income were in accordance with applicable enactments and guidance (regularity); and,
- 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.

We have completed our audit of your financial statements and have issued an unqualified audit opinion on 29 June 2022, following the Audit Committee meeting on 16 June 2022. Our findings are set out in further detail on pages 7 to 17.

The draft Annual Report and Accounts were available for audit week commencing 9th May 2022. We identified five adjusted misstatements to the draft financial statements. There were two unadjusted misstatements which Management do not consider material to the financial statements. There were also a number of disclosure and presentational adjustments to the accounts. Details of adjusted and unadjusted misstatements are detailed within [Appendix 1](#). We are satisfied the accounts are free from material misstatement.

We conclude that the Remuneration and Staff Report, subject to audit, has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by Scottish Ministers. The information given in the Performance Report and the Governance Statement is consistent with the financial statements and has been prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

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 External Audit Plan for the year ended 31 March 2022 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.

Financial management and sustainability

During 2021/22, SAS operated within its key financial targets, breaking even against non-core revenue resource limit and capital resource limit and a small underspend (£24,000) against its core resource limits, driven by changes in the final allocation received. SAS achieved these while operating in a period of considerable uncertainty as the Board looked to respond to the continued challenges from Covid-19 in the delivery of the 2021/22 remobilisation plan. The outturn position includes SAS delivering a range of programmes, including Mobile Covid-19 Testing Units, with costs of £33.8 million, additional Covid-19 costs of £16.2 million, and COP 26 support with costs of £2.6 million, all funded by the Scottish Government.

Looking forward, SAS continues to roll out its Best Value programme to support the delivery of efficiency savings to support the development of a financially sustainable operating model. As SAS looks towards the implementation of the SAS 2030 strategy and supporting the Scottish Government's changing model of health and social care, a key aspect of this will be SAS' ability to deliver efficiency savings to allow it to operate within financial resources available. Management are evaluating the recurring impact of living with Covid-19 in future years, including recurring costs pressures and those that will cease. In addition, a pipeline of future programmes is being collated to support the development of the 2022-25 financial plan.

Value for money

During 2021/22 SAS experienced exceptional and sustained operational pressures through operating within the social distancing restrictions implemented during covid-19, demand driven pressures as increased calls as lockdown restrictions lifted, workforce pressures due to covid-19 related leave and significant challenges in handing over patients timeously at emergency departments because of the wider health and social care system pressures.

The Board recognises the need to ensure focus on performance improvement and is in the process of further developing its performance reporting arrangements. This is designed to provide greater clarity to the Board around key patient groups and pressures faced as well as ensuring sufficient detail to measure SAS's contributions to wider NHS Scotland priorities.

SAS continue to face challenges as it looks to support the transition to a new system of healthcare in Scotland. Key to this is the increase continuous improvement in workforce capacity to manage demand and progress joint turnaround improvement plans with hospitals.

Wider scope audit (continued)

Governance and transparency

Scottish Ambulance Service's governance arrangements have continued to operate effectively during the financial year. Governance arrangements are well established, with the Board supported through standing committees. From review of Board and Committee minutes and papers, we found that there was clear and transparent reporting and decision making. The Board demonstrate a focus on self-assessment and continuous improvement. This includes Board and committee self-assessment of effectiveness. During particular times of system pressures, the Board received weekly update reports on performance and issues impacting good governance to ensure oversight and scrutiny of performance. In addition, the Board obtain independent assurance from KMPG, as internal auditors, who did not identify any significant issues in the design or operating effectiveness of controls, governance or risk management arrangements.

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 2022 at Scottish Ambulance Service. The scope of our audit was set out in our External Audit Plan communicated to the Audit Committee in February 2022.

The main elements of our audit work in 2021/22 have been:

- An audit of Scottish Ambulance Service's annual report and accounts for the financial year ended 31 March 2022;
- 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 Scottish Ambulance Service's participation in the National Fraud Initiative (NFI); and
- Any other work requested by Audit Scotland.

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. SAS 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 the Board throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management and sustainability, risk and performance. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Key messages and judgements

We plan to issue an **unmodified** audit opinion on the annual report and accounts.

We have identified five adjustments to the financial statements.

We have identified two unadjusted misstatements. This included overstatement of year end accruals of £478,000 and £0.75 million bad debt provision for amounts due from other boards where we do not agree with Management's accounting treatment as there is confirmation from other health boards of the amounts outstanding. We have also raised recommendations for management as a result of our audit work in [Appendix 2](#).

Our audit opinion

For the financial year ended 31 March 2022 we have issued an **unmodified opinion** on the annual report and accounts. As reported in the independence auditor's report:

- 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 United Kingdom, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (FRoM), and the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder;
- expenditure and income were in accordance with applicable enactments and guidance (regularity); and,
- 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 annual report and accounts audit process

In accordance with our annual external audit plan our audit work commenced on 2 May 2022. We received the draft primary financial statements in line with our agreed timetable which Management had prepared based on the Scottish government Health and Social Care Directorate template accounts.

There were five audit adjustments to the primary financial statements. Details of the adjustments are noted within Appendix 1. There were two unadjusted misstatement to the financial statements in relation to £0.75 million written off as bad debt and £478,000 overstatement identified through accruals testing. The bad debt misstatement relates to balances due as at 31 March 2022 from other NHS Scotland boards which have been agreed between bodies as part of the NHS Scotland agreement of balances. Therefore, as the third parties have confirmed sums due, we do not believe these amounts should be provided for. We also identified a number of disclosure adjustments in respect of the draft financial statements. This included a full listing of adjusted and unadjusted misstatements is detailed in [Appendix 1](#).

Group accounts

The Consolidated accounts consist of Scottish Ambulance Service and the Scottish Ambulance Service Endowment Fund. For 2021/22 the Endowment Fund reported gross expenditure of £36,000 and held net assets of £982,000. The Endowment Fund is consolidated in the group accounts. In scoping our audit we do not consider the Endowment Fund to represent a financially significant component of the SAS group.

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 and finalised and submitted to Audit Scotland in February 2022. We updated our audit materiality to reflect your 2021/22 draft financial statements. It is set at £8.380 million for the Group (Board only: £8.376 million), representing 2% of gross expenditure. This was an increase from our audit plan (Group: £7.245 million and Board only: £7.244 million) as a result of the increased expenditure in year. Performance materiality was set at £6.285 million for the Group (Board only: £6.282 million), representing 75% 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 (Total Remuneration Table) within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £20,000).

Service auditors report

Scottish Ambulance Service 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 2021/22 the service audit reports from KPMG on NSS Primary Care Payments and NSS' National IT contract for services provided by ATOS Origin Alliance supporting eFinancials and the BDO service auditor report over National Single Instance (NSI) eFinancials were all 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 therefore satisfied that these do not impact on our audit work.

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.

While no material weaknesses have been identified, we have raised a recommendation for Management to review potential obligations arising from leased buildings. Under the terms of the lease agreements, SAS are required to return the property to their original condition, including potential removal of subsequent expenditure on the buildings. In accordance with IAS 37, SAS should recognise the current value of the estimated cost of this work in the accounts. Management have determined that the level of subsequent spend on the properties is less than £1 million and with ongoing repair and maintenance the total cost of the dilapidations is unlikely to be material. While we are satisfied that this is not material to the financial statements we have raised a recommendation for management to review leased property and the terms of the lease to ensure obligations are recognition.

Action Plan Point - 1

Scottish Ambulance Service operated within its financial operating limits

During 2021/22, SAS operated within its key financial targets, breaking even against non-core revenue resource limit and capital resource limit and a small underspend (£24,000) against its core resource limits. SAS achieved these while operating in a period of considerable uncertainty as the Board looked to respond to the continued challenges from Covid-19 in the delivery of the 2021/22 remobilisation plan.

The outturn position includes SAS delivering a range of programmes, including Mobile Covid-19 Testing Units, with costs of £33.8 million, additional Covid-19 costs of £16.2 million, and COP 26 support with costs of £2.6 million, all funded by the Scottish Government.

	Resource Limit £'000	Outturn Expenditure £'000	Variance (over)/under £'000
Revenue resource limit – core	391,142	391,118	24
Revenue resource limit – non-core	16,570	16,570	-
Capital Resource Limit	26,515	26,515	-

Despite achieving a break-even position in 2021/22, SAS continue to operate within a challenging financial environment, relying on non-recurring savings of £6 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 £8 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 £26.5 million.

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 External 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. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override SAS internal controls, related to individual transactions.</p> <p>Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management.</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 2022 and retrospective review of those estimates as at 31 March 2021. • 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; • We ran specific targeted routines over the journals population to identify higher risk journals, including unusual account combinations or journals posted by senior management; 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 tested. We did not identify indication of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement. All journals are subject to independent review and approval through monthly journals review process. However, while this does provide oversight of controls to detect and deter fraud or error, the process could be enhanced through independent authorisation of manual journals to provide more timely review of journals posted.</p>

Action Plan Point Follow up – 1

Responding to significant financial statement risks (continued)

Risks identified in our Audit Plan	Commentary
<p>Risk of fraud in expenditure recognition</p> <p>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. Recognising the nature of RRL and Scottish Government funding, we have identified a higher risk of fraud and financial misreporting within expenditure. 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. We therefore focus on material non-pay expenditure streams. This approach is the same as prior year.</p>	<ul style="list-style-type: none"> • 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 around the completeness of expenditure. • 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. <p>Conclusion</p> <p>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. Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of the Scottish Ambulance Service (regularity testing).</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 SAS 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 FReM.
- We enquired of management and the Audit Committee, concerning SAS's 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 SAS'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 SAS's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 10.
- 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:
 - SAS'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.
 - SASs control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

Significant estimates and judgements

SAS's financial statements include the following significant accounting estimates impacting on the annual accounts:

Significant estimate	Summary of management's approach	Audit Comments	Assessment
Property, plant and equipment valuations	<p>Scottish Ambulance Service holds property, plant and equipment at fair value. Valuations of land and buildings are reassessed by professional valuers, Valuations Office Agency, annually. 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 have challenged key underlying assumptions used in the valuation, including market data used to support valuations.</p> <p>We are satisfied that the revaluation has been appropriately reflected in the financial statements.</p>	<p>● Light Purple</p>
Pension provision and injury benefit	<p>Scottish Ambulance Service 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 2022 was £10.6 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>	<p>● Light Purple</p>

Significant estimate	Summary of management's approach	Audit Comments	Assessment
Clinical and medical legal claims and CNORIS provisions	Scottish Ambulance Service provides for Clinical and medical legal claims against the board. Scottish Ambulance Service participates in the Clinical Negligence and Other Risk Indemnity Scheme (CNORIS). Scottish Ambulance Service 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.	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. We are satisfied that the provision has been appropriately reflected in the financial statements.	● 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
- Light Purple We consider management's process is appropriate and key assumptions are reasonable and free from material misstatement.

Other judgements disclosed in the accounts

Management have also identified the following areas of judgement and estimation in the accounts which we do not consider of critical judgements or material estimates that would change over the next 12 months: useful economic life of property, plant and equipment. We would consider this application of accounting policy rather than areas of judgment in applying accounting policies. IAS 1 requires disclosure of significant estimates where there is a risk these could change material over the next 12 months. While the financial statements cover those areas of critical judgement and estimation there is an opportunity to enhance the disclosures made in accordance with IAS 1. This includes providing the reader clarity around the key assumptions and areas of estimation that could result in a material change in the coming period and sensitivities surrounding these. In addition, the note should disclose areas where judgement has been made in applying accounting policy (not included within estimates). See [Appendix 1](#).

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
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.

Issue	Commentary
Opinion on other aspects of the annual report and accounts	<p>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.</p> <p>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.</p>
Governance statement	<p>The governance statement is included within the Accountability Report. The report outlines the governance framework in place at Scottish Ambulance Service. 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. 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 Scottish Ambulance Service 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>

Issue	Commentary
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 SAS 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.
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 Scottish Ambulance Service in investigating matches. The Board has made good progress in investigating matches. SAS have demonstrated commitment to NFI including timely submission of data and investigation of Management. Appropriate personnel are involved in the process and oversight from the Audit Committee.</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 on 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 significant wider scope risks in relation Financial Management, Financial Sustainability, and Governance and Transparency. 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	External Audit 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>We have assessed SAS’s financial performance in year (page 9). SAS operated within its key financial targets, breaking even against non-core revenue resource limit and capital resource limit and a small underspend (£24,000) against its core resource limits. SAS achieved these while operating in a period of considerable uncertainty as the Board looked to respond to the continued challenges from Covid-19 in the delivery of the 2021/22 remobilisation plan.</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>The Annual Report and Accounts is an important document to demonstrate financial stewardship and the Board’s financial performance during the year. At the time of our audit the Annual Accounts for the year ended 31 March 2021 had not been published on the Board’s website. We recommend the Board ensure timely publication of the accounts.</p>	<p>During 2021/22 SAS continued to demonstrate sound financial management arrangements. This was reflected in the Board achieving its key financial targets. SAS has financial monitoring arrangements in place which provide clarity around the Board’s financial performance and projected performance throughout the year. This includes service performance as well as progress with strategic savings plans delivered under the Best Value programme.</p>

Action Plan Point 2

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether SAS is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<p>While projecting a breakeven position for 2021/22, the underlying financial position reflects a challenging financial year as the organisation has faced cost and operational pressures as a result of Covid-19 response and recovery activity. Operational pressures have meant that as at December 2021, Best Value and efficiency savings were £2.5 million below forecasts. Management have implemented a number of steps to address the challenges in the current year. However, SAS recognise it faces significant financial challenges in the year to come. As part of SAS' financial planning for 2022/23 and beyond, Management are evaluating the recurring impact of living with Covid-19 in future years, including recurring costs pressures and those that will cease. In addition a pipeline of future programmes is being collated to support the development of the 2022-25 financial plan.</p> <p>With increasing costs pressures, including payroll and other inflationary costs, as well as uncertainty around the medium term impact of Covid-19 on service delivery and the ability to deliver Best Value saving programmes, SAS face significant financial pressures in the coming years.</p>	<p>Response to significant risk:</p> <p>In response, we reviewed the Board's medium term financial strategy and the extent these look to address the financial challenges faced in the coming years. This included SAS's planned efficiency programmes and how Management seek to manage the medium to longer term cost implications of Covid-19.</p> <p>As a result of Covid-19 and focus on the response and recovery from the attack, the Scottish Government only requires Boards to produce a single year financial plan for 2022/23. However, Management recognise the importance of medium term financial planning and have developed a draft 3 year plan 2022-23, due to be finalised in July.</p> <p>SAS have projected the most likely financial gap for 2022/23 as £17.4 million, with a worst case scenario of £21.9 million. Management have estimated further gaps of £10.9 million and £8.1 million in 2023/24 and 2024/25 respectively. The pressures arise through pay and non-pay increases as well as underlying budget deficit not offset through baseline increases in budget. SAS have in place efficiency plans, including those as part of the Best Value programme, to address these cost pressures. A key challenge for SAS is ensuring savings are sustainable. In 2021/22 Management reported that whilst savings of £15.35 million were delivered, £6m were on a non-recurring basis. As part of the Board's financial strategy, a key focus is in delivering savings on a recurring basis.</p>	<p>SAS's draft 2022-25 Financial Strategy recognises the financial pressures facing the Board. The assumptions in the plan appear reasonable and incorporates the Board's operational commitments and strategic priorities. The plan itself recognises the risks in the planning assumptions made, including consideration of different scenarios.</p> <p>We are pleased to see the focus of the financial plan looking to reduce the Board's reliance on non-recurring savings, targeting the reliance on these to be as low as £1 million in 2024/25. This requires a considerable change at SAS, where over 40% of savings are delivered on a non-recurrent basis and the nature of recurring savings often requiring more significant changes in the year.</p> <p><i>Action Plan Point Follow up – 2</i></p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<p>Governance and transparency</p>	<p>No significant audit risks identified.</p>	<p>Governance arrangements</p> <p>SAS has well established governance arrangements with the Board being supported by the Audit, Staff Governance, Clinical Governance, and Remuneration Committees. During the financial year, the service’s primary focus was the delivery of its Remobilisation Plan for 2021/22. This aligned to the Scottish Government’s “Re-mobilise, Recover, Re-design: The Framework for NHS Scotland”(31 May 2020) including SAS’s wider role in supporting the remobilisation and redesign of the delivery of wider health and social care across Scotland. Reporting to senior management and the Board reflected the delivery of the plan.</p> <p>Following a pause, as the Board responded to the Covid-19 pandemic, SAS aims to relaunch its new strategy, 2030 Strategy in July 2022. The Strategy will look to build on the Recovery Plan delivered in 2021/22, with a key aspect on how the Service can continue to innovate and improve the level of care and enhance the resilience and sustainability of services.</p> <p>SAS demonstrate focus on continuous improvement. The Board and committees undertake self assessment of their effectiveness. A key aspect of governance is effective risk management. SAS have undertaken risk workshops with support for their Internal Audit providers, KPMG to assess risks and set risk tolerances and risk appetite, helping to shape actions and controls to ensure SAS operate within these. A key focus for SAS is how they ensure the continue to develop and enhance services to meet the pressures created from wider changes to the delivery of care across the NHS in Scotland.</p>	<p>Scottish Ambulance Service’s governance arrangements have continued to operate effectively during the financial year. The Board is supported through standing committees. From review of Board and Committee minutes and papers, we found that there was clear and transparent reporting and decision making. The Board demonstrate a focus on self-assessment and continuous improvement. This includes Board and committee self-assessment of effectiveness. During particular times of system pressures, the Board received weekly update reports on performance and issues impacting good governance to ensure oversight and scrutiny of performance. In addition, the Board obtain independent assurance from KPMG, as internal auditors, who did not identify any significant issues in the design or operating effectiveness of controls, governance or risk management arrangements.</p>

Wider scope dimension

Wider scope risk identified in our audit plan

Wider scope audit response and findings

External Audit conclusion

Value for money

Value for money is concerned with using resources effectively and continually improving services.

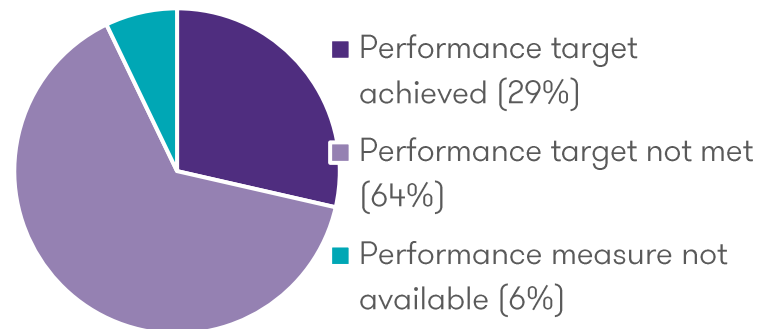
SAS has reported that the service is experiencing exceptional and sustained levels of pressure on services. This is through increases in Covid-19 and non Covid-19 related demand, operational challenges in transferring patients in a timely manner at emergency departments due to wider healthcare system pressures and workforce capacity.

SAS has invested in, and continues to invest in, via additional Scottish Government funding its demand and capacity programme. This programme will create additional capacity in how SAS deliver services in the future and supports the workforce planning within SAS. Given the significance of the investment (financially) as well as contributing to the SAS strategy we will consider this programme. We will focus on governance and decision making including impact on performance.

During 2021/22 SAS experienced exceptional and sustained operational pressures. This included: operating within the social distancing restrictions implemented during covid-19; demand driven pressures as increased calls as lockdown restrictions lifted such as higher patient acuity, workforce abstractions; and, challenges in handing over patients timeously at emergency departments because of wider health and care system pressures.

The challenges facing the organisation have been reflected in performance targets, including those covering health improvement and efficiency.

Health improvement, efficiency, access to treatment and treatment performance indicators



Over recent years SAS has recognised the need to invest in resourcing to ensure it has capacity and capability to meet service demand pressures. The outbreak of Covid-19 has increased the challenges facing the service. SAS required support from other bodies including Scottish Fire and Rescue, military personnel and the British Red Cross to continue to deliver services.

Pressures during 2021/22 impacted the Board's response times in the year with SAS reporting a deterioration in over 75% of measurable targets year on year and only achieving 29% of measurable targets within the delivery plan Improvement Plan. SAS recognise the need to focus on improvement and areas of patient care. The Board is implementing new performance reporting.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
Value for money continued...	Continued...	<p>Continued...</p> <p>A detailed plan to improve workforce capacity, manage demand and progress joint turnaround improvement plans with hospitals has been created and implementation is being progressed. During 2021/22 this has delivered the recruitment of 549 additional staff as well as the training and upskilling of staff to increase the number of paramedics. As a result of the unprecedented challenges facing the organisation during the year, SAS worked with other bodies to deploy military personnel, Scottish Fire and Rescue Service as well as the British Red Cross and onboarding emergency drivers and students.</p> <p>SAS continue to face challenges as it looks to play a key role in supporting the transition to a new system of healthcare in Scotland. As the organisation looks to assess its strategic aims in the development of the 2030 Strategy, SAS looks to build on learning lessons from the pandemic and develop the strategy to reflect Scotland's health and social care priorities.</p> <p>Management has recognised the need to further develop its performance reporting. Proposed enhancements aim to provide greater clarity to the Board around key patient groups and pressures faced as well as ensuring sufficient detail to measure SAS's contributions to wider NHS Scotland priorities.</p>	<p>SAS are looking to introduce a new, continuous approach across the organisation to engaging with patients and communities, using their views and experiences to help shape improvements to services, building on the whole system planning and working, with Health Boards, Integration Joint Boards and wider stakeholders through a focused engagement plan over the next year.</p> <p>Pressures facing the service and the organisation has responded through accelerating the level of recruitment as well as wider investment in infrastructure to support service delivery. While it is too early to conclude on the effectiveness of these arrangements, the new performance monitoring arrangements aim to ensure continued focus on improvement across key strategic and operational priority areas.</p>

Other areas of focus

In accordance with Audit Scotland Planning Guidance, as part of our audit work in 2021/22 we consider the Board's arrangements for equality and fairness as well as considering the risk of fraud in procurement. We did not identify any significant wider scope audit risks in these areas. Utilising Audit Scotland's Best Value guidance we considered the arrangements at the Board.

Risk of fraud in procurement

In accordance with Audit Scotland's planning guidance we considered the risk of fraud and corruption within the procurement function. Through our audit procedures we have not identified any significant risks or deficiencies in relation to SAS' arrangements over fraud and corruption within procurement. The Procurement Team also provides a procurement services to Health Scotland and Healthcare Improvement Scotland on a shared service basis. Policies and procedures, including delegated authority levels, are appropriate to the level of risk at the Board with no issues noted in our review of arrangements in place.

To comply with the Procurement Reform (Scotland) Act 2014 (The Act), SAS is required to publish Procurement Report annually detailing information on all regulated procurement activity. The current version of the report is for the year ended 31 March 2020 and therefore is out of date. We also found that whilst the Board has a procurement strategy in place, this is not published on-line.

Action Plan Point - 1

Equality and fairness

In accordance with Audit Scotland's Code of Audit Practice and Audit Scotland Planning Guidance, as part of our 2021/22 external audit we considered the Fairness and Equality characteristics and the arrangements in place at SAS.

Fairness and equality is clear area of focus for SAS. SAS have a range of policies, procedures and guidance in place to promote equality, diversity, health and well-being in the workplace. SAS' key policies and strategies are subject to an Equality Impact Assessment, which includes consideration of those groups most significantly impacted by covid-19. SAS' Mainstreaming Equality and Diversity in the Scottish Ambulance Service 2021 highlights the progress made by SAS in incorporating equality and diversity into the delivery of services and shaping the organisations' strategy. SAS have equality outcomes for the period 2021-25. The outcomes illustrate the steps being taken to improve services to meet the needs of patients / service users whilst improving the experience in the workplace for staff.

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were five corrected misstatement to the financial statements identified during our audit.

Adjusted misstatements arising during the audit Detail	Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Being correction of a classification error between Accruals and other payable balances. Note this was only a presentational adjustment in the notes to the accounts and did not impact on the primary statements		1,231
Dr Accruals		(928)
Cr Central Government bodies – payables		(108)
Cr Local Government bodies – payables		(195)
Cr NHS Non-Scottish bodies - payables		
Being adjustment to recognise Lateral Flow Tests donated by the UK Government and utilised during 2021/22		
Dr Expenditure – Medical / PPE	2,479	
Cr Income - Donations	(2,479)	
Being adjustment to CNORIS provision to reflecting late notification from SG		
Dr Provisions - CNORIS		79
Cr Expenditure – Other health care	(79)	
Being incorrect allocation of payables and receivables		
Cr Trade payables		(108)
Dr Trade receivables		108
Being reallocation of expenditure to staff costs		
Cr Expenditure – Other health care	(45)	
Dr Staff costs	45	
Overall impact	(79)	79

We note that the draft financial statements have been updated to reflect the final allocation letter received from Scottish Government. This reflected a reduction in Core and non-core Revenue resource limits of £29,000 and £79,000 respectively and increase in capital resource limits of £11,000. These do not impact the primary financial statements.

Unadjusted misstatements

We identified two unadjusted audit misstatement during our audit. Management have not adjusted for the misstatements on the basis of these not being material to the financial statements.

Detail	Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Being overstatement of year end accruals.		
Dr Accruals		478
Cr Expenditure	(478)	
Being reversal of amounts written out in relation to receivables from other NHS Scotland bodies. SAS confirm outstanding balances to and from other NHS Scotland through the agreement of balances process. While balances were agreed with health boards, Management has subsequently impaired £0.75 million of amounts due. Given these are public sector bodies, with no concerns around ability to pay outstanding sums, and that the outstanding amounts have been agreed by the boards, we do not consider the debtor to be impaired.		
Dr Receivables - accruals		750
Cr Expenditure	(750)	
Overall impact	(1,228)	1,228

Misclassification and disclosure changes

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

Disclosure	Auditor recommendations	Adjusted?
Critical judgements	<p>International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates.</p> <p>Significant Estimates relate to assumptions and estimates at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements relates to areas of material judgement in the application of accounting policy that aren't significant estimates. In the draft accounts, Management have combined critical estimates and judgements. It is unclear from the disclosure what critical judgements have been applied. For significant estimates, it is unclear where Management consider the key assumptions where there is an increase risk of a material change in the estimate over the next 12 months. There is an opportunity to enhance the disclosure to focus on those key areas of estimation that may have a significant risk of material misstatement in the next 12 months. This should focus on those key areas of assumptions such land and building valuations.</p>	<p>Partly - Audit are satisfied that this is not material disclosure misstatement to the financial statements.</p>
IFRS 15 – Revenue recognition	<p>While the majority of SAS's expenditure is funded through Scottish Government Funding through resource limits and treated in accordance with the FReM as funding rather than income, the organisation does receive income for services provided. This includes recharges to other boards and charges for services to commercial organisations. This income would fall within the scope of IFRS 15. The Board's accounting policies should be enhanced to meet the disclosure requirements of IFRS 15 including the income recognition criteria and performance conditions associated with material revenue streams.</p>	<p>No – Management are unable to produce segmental reporting information. However, we are satisfied this is not a material disclosure misstatement to the reader of the accounts.</p>

Disclosure	Auditor recommendations	Adjusted?
Trade and Other receivables note	Within the receivables note in the Notes to the financial statements, Management have recognised the provision for bad debts of £1.2 million against accruals. This should be recognised against the balances it relates, being amounts due from NHS Scotland bodies and trade receivables.	Yes
Related parties	In accordance with the FReM, all Scottish public sector bodies, including health boards would be considered related parties on the basis that they are under common control of the Scottish Government. In accordance with the FReM, the accounts required updating to record details of the individual bodies where material transactions had taken place during the financial year.	Yes
Performance Report	The FReM stipulates required disclosures within the Performance Analysis. This includes reporting against priority areas and risk profile of the organisation. The draft Annual Reports required minor changes to ensure compliance with the FReM.	Yes
Assets under construction	SAS currently recognises assets under construction through property, plant and equipment (PPE) and on completion transfers relevant assets into intangibles. The assets should initially be recognised under their appropriate classification as Intangibles under construction rather than within PPE.	No – The current basis of recognition reflects the expenditure to date on vehicles during production. Elements relating to intangible assets are identified on completion. Audit are satisfied that this is not material to the accounts.
Financial instruments and segmental reporting	The Board has followed NHS Scotland template accounts and the NHS Scotland Manual for Accounts to support in the preparation of the Annual Accounts. However, there are opportunities to enhance the disclosures in the accounts to meet the requirements of the FReM and IFRS. In particular, under IAS 8, operating segments should report the level of information as communicated to Management. This should include income at service level, gross expenditure as well as the net cost of services. Currently only net cost of services is reported. In addition, financial instrument disclosures could be enhanced to provide more qualitative and quantitative information around the risks and sensitivities around risks from financial instruments.	No - Management have prepared the accounts in line with the NHS Manual and template accounts. These recommendations will be considered for future years accounts. Audit are satisfied that these are not material to the financial statements.

There were other minor presentational adjustments that were communicated to the management throughout the course of the audit.

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2021/22, the significant recommendations arising from our audit work:

Recommendation

Agreed officer response

1. Provision for dilapidations

SAS holds a number of property leases from which it delivers services. In accordance with the FReM and IAS 17, these leases are currently held as operating leases in the financial statements. Under the terms of the lease agreements, SAS are required to return the property to their original condition, including potential removal of subsequent expenditure on the buildings. In accordance with IAS 37, SAS should recognise the current value of the estimated cost of this work in the accounts. Currently no amounts have been provided for. While we are satisfied that this is not material to the financial statements we have raised a recommendation for management to review leased property and the terms of the lease to ensure obligations are recognition.

Responsible Manager: Assistant Director of Finance

Implementation Date: December 2020

2. Publication of the Annual Report and Accounts and other documents

The Annual Report and Accounts is an important document to demonstrate financial stewardship and the Board's financial performance during the year. At the time of our audit the Annual Accounts for the year ended 31 March 2021 had not been published on the Board's website. In addition, we found that the Annual Procurement Report and Procurement Strategy for 2020/21 had not been published. It is important to ensure transparency around the use of public funds, that these reports are published on a timely manner through the Boards website. We recommend the Board ensure timely publication of the accounts and procurement documents.

Responsible Manager: Head of Finance

Implementation Date: Procurement Report by July 2020 and Annual Accounts by December 2022

3. Follow up of 2020/21 recommendations

We have set out below our follow up of recommendations raised in the prior year:

Recommendation

1. Journals documentation

Original Recommendation:

Through our journals testing it was noted that the authorisation/review of journals is not being consistently applied, with a small number of journals which had not been authorised either prior to or subsequently after being posted to the ledger. Additionally, in a couple of instances, for journals including material accruals such as the Holiday Accrual, the calculations were not subject to scrutiny or secondary review. No errors were noted in relation to these journals, however without secondary review, there is an increased risk of error. This was recognised as an area for improvement by management. It is recommended that tighter controls are put in place to ensure journals are appropriately authorised ideally prior to being posted on the ledger. Additionally, where journals include calculation, especially those material in nature, we recommend a secondary review of the calculation is performed to ensure its accuracy.

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

Follow up: **Ongoing.** Our testing found that Management have implemented a review process to ensure that journals are subject to review and scrutiny. This includes independent checking of calculations supporting journals to mitigate against the risk of error. All journals are subject to independent review and approval through monthly journals review process. However, while this does provide oversight of controls to detect and deter fraud or error, the process could be enhanced through independent authorisation of manual journals to provide more timely review of journals posted. While we did not find any significant deficiencies in the overall control environment, Management should consider whether controls could be enhanced through independent authorisation over journals.

Recommendation

2. Financial management (raised in 2018/19)

Scottish Ambulance Service'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 Scottish Ambulance Service 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 £2 million in 2020/21 in order for Scottish Ambulance Service 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.

Initial Management Response: The issue of securing financial sustainability is a key feature of the Scottish Ambulance Service 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.

2020/21 External Audit update: 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. We recommend that management continue to identify the savings required to reach a breakeven position and progress against targets should be closely monitored.

2021/22 updated: Ongoing – SAS's draft financial strategy 2022-25 demonstrates a commitment to focus on delivering savings on a recurring basis. However, delivering financial savings on a recurring basis will require a significant change in the current profile of savings as these result in savings in baseline budgets. In 2021/22 while SAS operated within its financial targets, there continues to rely on non-recurring savings with over 40% of savings in year delivered on a non-recurring basis. We recommend that the Board ensure that it has clear focus on savings plans and the level of which are recurring to ensure there is appropriate focus on addressing baseline budget deficits to develop a sustainable financial operating model going forward.

4. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	71,120
Pooled Costs	7,750
Contribution to Audit Scotland costs	3,410
Contribution to Performance Audit and Best Value	Nil
2021/22 Fee	82,280

Fees for other services

Service	Fees £
We confirm that for 2021/22 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 John Boyd, Audit Director, who has responsibility for the audit (john.p.boyd@uk.gt.com) or 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 2021](https://www.grantthornton.co.uk/transparency-report-2021) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

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 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.
- 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.

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, and 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 the SAS'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		•



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