



Scottish Ambulance Service

2022/23 Annual Audit Report to the Board and the Auditor General for Scotland

June 2023



Table of Contents

Key messages	3
Introduction	9
Financial statements audit	11
Wider Scope	34
Appendices	57

Key messages

Financial statements audit

Audit opinion	<p>We report unqualified opinions within our independent auditor’s report.</p>
Key audit findings	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are in line with the NHS Accounts Manual and are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>Scottish Ambulance Service (SAS) had appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.</p>
Audit adjustments	<p>Adjustments made to the financial statements are noted at Appendix 2. The overall impact on the financial statements was a reduction in expenditure and net assets of £0.599million.</p> <p>All unadjusted differences are collectively and individually immaterial.</p> <p>We identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.</p>

Accounting systems and internal controls


We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the SAS's processes and internal controls relating to the financial reporting process.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.

Wider scope audit

Overall Conclusion

We recognise the significant challenges which SAS faces due to the environment in which it operates including funding, financial management and performance risks and challenges. The significance of these risks justifies the gradings which have been provided for each wider scope area however, we are satisfied that the arrangements which SAS has in place to manage and mitigate these risks under each wider scope area are strong.

	Auditor judgement 
<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 and the way in which they should be delivered.</p>	<p>SAS has good arrangements in place for short and medium term financial planning. SAS continues to work towards the achievement of a long term sustainable financial position.</p> <p>The financial position for SAS is difficult as it is forecasting a cumulative budget gap of £27.75million over the period 2023/24 to 2024/25 with a breakeven position forecast for 2025/26. This budget gap is inclusive of a challenging savings target of £36million over the three year forecast period, with the assumption that 70% of savings will be recurring.</p> <p>SAS will continue to face challenges over the next few years in achieving a balanced financial position due to a mix of COVID-19 legacy and more general pressures on the health service. SAS’s ability to develop and maintain its core services and new initiatives in a sustainable manner remains a significant risk from 2023/24 and beyond and requires continuing careful management and oversight.</p>

Financial Management

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

Auditor judgement



SAS has effective arrangements in place for financial management.

SAS met its key financial targets in the year, delivering an underspend against its revenue resource limit and its capital resource limit. A savings target of £17.35million was set for 2022/23 and SAS achieved the delivery of these, primarily through best value programmes and local efficiency plans.

From June 2022 to February 2023, deficit positions were forecast in each Summary Financial Performance Report presented to the Board. In the final quarter of 2022/23, Scottish Government provided an additional £5.5million of funding to cover COVID-19 expenditure and £1million towards fuel cost pressures. This contributed to SAS achieving a small year-end surplus position.

Vision, Leadership and Governance

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

Auditor judgement



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

Appropriate arrangements are in place to oversee the delivery of the 2030 Strategy and we encourage SAS to set key performance indicators which align to the Board strategic ambitions and portfolio delivery plans to support the quantitative assessment and scrutiny of progress.

Formal assurances from senior management on the systems of internal controls in place throughout the year had not been completed until June 2023, after the drafting of the governance statement. We deem this to be a key source of assurance to inform the preparation of the governance statement and encourage SAS to review their year-end timetable to ensure these are completed in a more timely manner.

Use of Resources to Improve Outcomes

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

Auditor judgement



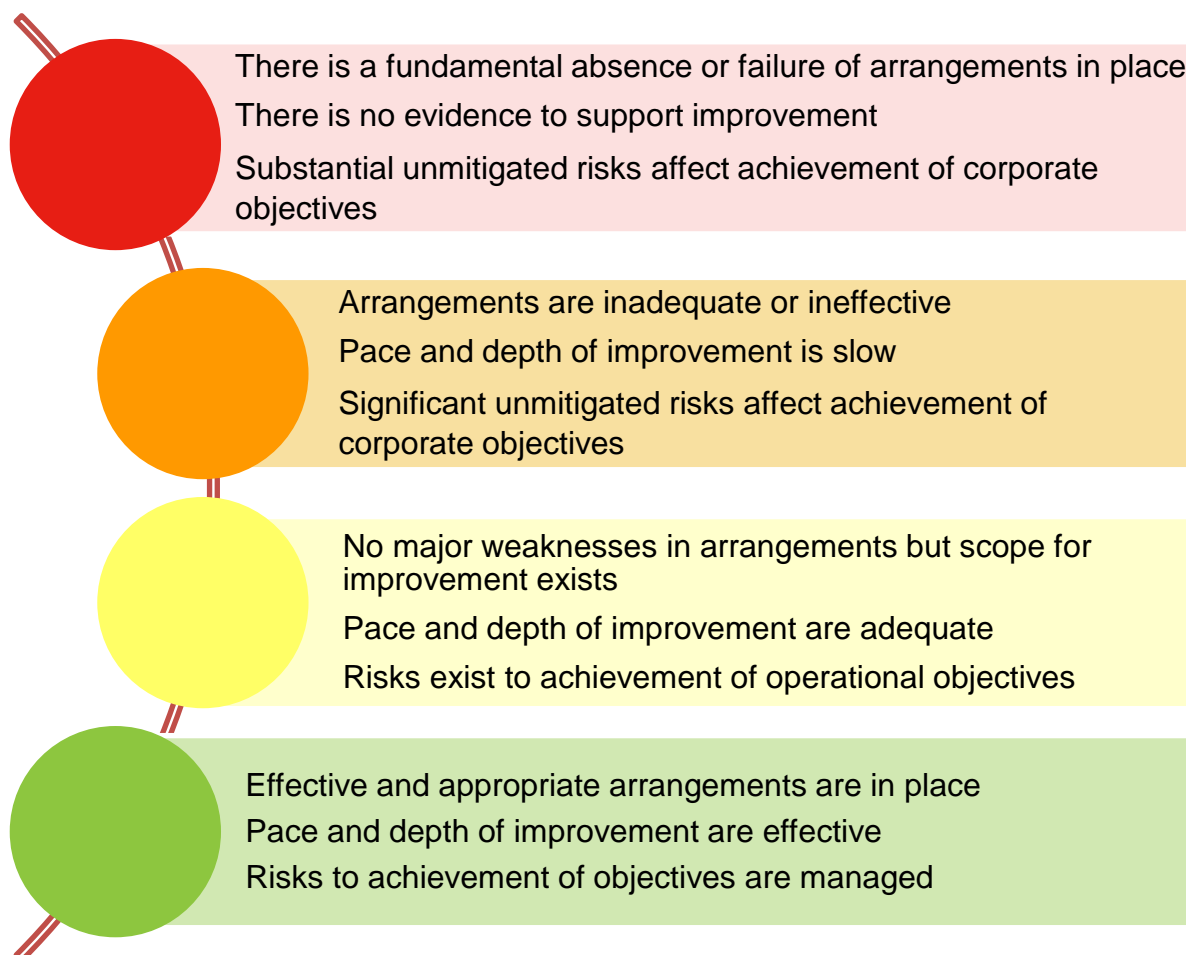
SAS has appropriate performance management processes in place that support the achievement of value for money. Performance in 2022/23 was the same or improved in 22 of the 25 KPIs, compared to the previous year. This represents a high level of performance in the context of ongoing service demand pressures across the health service.

SAS has recognised that response times remain at levels significantly higher than has been seen historically. This outcome is impacted by a range of complex issues impacting across many areas of the patient journey, including the waits at accident and emergency departments (which impacts on ambulance availability). SAS has put in place a number of initiatives to focus on improved performance in this area and is working with partner organisations across the NHS to support improvement..

Over the past three years, through the Demand and Capacity Programme, SAS accelerated the recruitment of an additional 1,388 staff and 52 new A&E vehicles across the country, along with a number of other support and response vehicles to much more closely match patient demand. The final meeting of the Programme Board is scheduled for June 2023 where the programme activity will integrate into the Strategy 2030 portfolio boards work and become business as usual.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas.



Introduction

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

We outlined the scope of our audit in our External Audit Plan, which we presented to Audit Committee at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

The core elements of our work include:

- an audit of the 2022/23 annual report and accounts.
- consideration of the wider scope areas of public audit work.
- any other work requested by Audit Scotland.

Responsibilities

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

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

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

Auditor independence

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

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

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

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

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

Openness and transparency

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

Financial statements audit

Overall conclusion

The annual report and accounts were considered by the Audit and Risk Committee on 15 June 2023 and approved by the Board on 28 June 2023.

We report unqualified opinions in our independent auditor's report.

We received the unaudited annual accounts and supporting papers of a good standard in line with our agreed audit timetable. Further information and revisions were provided promptly where required. Our thanks go to staff at SAS for their assistance with our work.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	We have issued unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise SAS's functions.</p> <p>Our wider scope audit work considers the financial sustainability of SAS.</p>	We reviewed the financial forecasts for 2023/24. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that SAS will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.
Regularity	We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.	<p>We did not identify any instances of irregular activity.</p> <p>In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.</p>

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

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements and the audited 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; or there has been a failure to achieve a prescribed financial objective. 	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit Committee in April 2023. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SAS. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

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

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

Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

Significant risks at the financial statement level

The table below summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls

Significant risk description	
	Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
	Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.
	This was considered to be a significant risk and Key Audit Matter for the audit.
	Risk of material misstatement: Very High

Management override of controls

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override SAS's controls for specific transactions.

Audit procedures

- Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals.
- Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals.
- Tested high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with SAS's journals policy.
- Gained an understanding of the accounting estimates and critical judgements made by management. We have challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud.
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Key observations

We have not identified any indication of management override of controls in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

We did however identify one instance in 2022/23 where there was insufficient evidence to support authorisation of a journal. Our testing confirmed that the journal was appropriately supported by evidence, and we concluded that there was no indication of management override. A management recommendation has been raised previously in relation to SAS's journals documentation (see Appendix 3) and we encourage SAS to reiterate their journals procedures to all staff and that compliance is monitored.

Management override of controls

We identified three key accounting estimates for the audit, we have considered separately in more detail in the section below.

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

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Key risk area

Fraud in revenue recognition

Significant risk description

Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*).

The presumption is that SAS could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

In respect of Scottish Government funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate revenue of this nature. The risk of fraud in relation to revenue recognition is however present in all other income streams.

This was considered to be a significant risk and Key Audit Matter for the audit.

Inherent risk of material misstatement:

Revenue (occurrence / completeness): High

Key risk area

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

Audit procedures

- Evaluated the significant income streams and reviewed the controls in place over accounting for revenue.
- Considered SAS's key areas of income and obtained evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for SAS's revenue resource allocation from Scottish Government. Our conclusion remained the same throughout the audit.

Based on audit work performed, we gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

Key risk area

Fraud in non-pay expenditure

Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end.

This was considered to be a significant risk and Key Audit Matter for the audit.

Inherent risk of material misstatement:

- Non-pay expenditure (occurrence / completeness): High
- Accruals (existence / completeness): High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluated the significant non-pay expenditure streams and the design of the key controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Considered SAS's key areas of expenditure and obtained evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Tested accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key risk area

Key observations

Based on audit work performed, we gained reasonable assurance on the completeness and occurrence of expenditure and we are satisfied that expenditure is fairly stated in the financial statements.

We identified one instance in 2022/23 where a PECOS order was receipted incorrectly which impacted on the value of the POP accrual. This was brought to the attention of the finance team through the monthly review of accruals and was appropriately reversed. We have concluded that there was no indication of fraud in non-pay expenditure. We have raised a management action point to ensure the PECOS procedures are reiterated to all staff and compliance is monitored.

Action Plan Point 1

Key risk area

Valuation of land and buildings (key accounting estimate)

Significant risk description

SAS held land and buildings with a net book value of £24.785million at 31 March 2022, with valuations of all land and building assets reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation.

There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of SAS's asset base represents an increased risk of misstatement in the financial statements.

Inherent risk of material misstatement:

Land & Buildings (valuation): Very High

How the scope of our audit responded to the significant risk

Key judgements

Boards are required to revalue properties with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. SAS, in accordance with its accounting policies, obtains an external valuation of land and buildings on an annual basis.

Audit procedures

- Evaluated management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work.
- Evaluated the competence, capabilities and objectivity of management's valuation expert.
- Considered the basis on which the valuation was carried out and challenged the key assumptions applied.
- Tested the information used by the valuer to ensure it is complete and consistent with our understanding.
- Ensured revaluations made during the year have been input correctly to the fixed asset register and

Key risk area

the accounting treatment within the financial statements is correct.

Key observations

Asset valuations are carried out by external valuers on a rolling programme over a 5 year period. 20% of SAS's land and building portfolio is subject to a site visit valuation per annum with the other 80% of assets being valued through desktop analysis.

We have gained assurance that the carrying value of the SAS's estate in the financial statements is in line with the valuer's report received from the external valuers (Valuation Office Agency). SAS's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate. We confirmed that the basis of valuation for assets is appropriate based on their usage and reviewed the reasonableness of valuation assumptions applied. Overall, the valuation movements were in line with supporting evidence.

We reviewed the keys estimates and judgements that management made in respect to the valuation of land and buildings for any indication of bias and assessed whether the judgements used by management are reasonable. We have concluded that estimates and judgements are Balanced.

Our audit work has not identified any issues in respect of the valuation of land and buildings as at 31 March 2023.

Key risk area

IFRS 16 implementation (key accounting estimate)

Significant risk description

The adoption of IFRS 16 on leases was delayed for NHS organisations and was implemented from 1 April 2022 therefore impacting on the 2022/23 financial statements for the first time.

There is a risk that lease terms, lease payments and the discount rate used to measure lease liabilities are inappropriately determined, therefore creating a risk that the financial statements are materially misstated. There is also a potential risk that lease liabilities are not completely recorded.

Inherent risk of material misstatement:

Right of Use Asset (valuation): High

Right of Use Asset (completeness): High

Lease liabilities (valuation): High

How the scope of our audit responded to the significant risk

Key judgements

The implementation of IFRS 16 presented judgement required as to the identification of leases and contracts.

Audit procedures

- Evaluated management processes for reviewing lease arrangements and contracts to determine leases falling within the remit of IFRS 16.
- Tested the completeness and accuracy of the data collected by management and used as part of the implementation of IFRS 16.
- Assessed the key judgements and decisions made about material contracts such as property leases or where lease terms are not prescriptive.
- Reviewed the appropriateness of the discount rate used in the calculation of the lease liability.
- Reperformed the calculation of the lease liability and right of use asset for a sample of leases.
- Reviewed the accounting policy and related disclosures for IFRS 16 in line with the requirements

Key risk area

of the Financial Reporting Manual (FReM), NHS Manual for Accounts and Scottish Government guidance.

Key observations

Our audit work has not identified any issues in respect of the implementation of IFRS 16.

We have reviewed management's estimations and related disclosures and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.

We reviewed the key estimates and judgements that management made in respect of leases for any indication of bias and assessed whether the judgements used by management are reasonable. We have concluded that estimates and judgements are Balanced.

Key risk area

Provisions (key accounting estimate)

Significant risk description

The financial statements include provision for legal obligations in respect of:

- Clinical and medical obligations;
- Participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme); and
- Pensions and similar obligations.

There is a significant degree of subjectivity in the measurement and valuation of these provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

Inherent risk of material misstatement:

Provisions (valuation): High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end.

Audit procedures

- Reviewed management's estimation for the provision and related disclosures.
- Considered compliance with the requirements of the FReM and NHS Manual for Accounts.
- Considered the competence, capability and objectiveness of the management expert.

Key observations

We have reviewed management's estimations and related disclosures and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.

We reviewed the key estimates and judgements that management made in respect to the provisions for any indication of bias and assessed whether the judgements used by management are reasonable. We have concluded that estimates and judgements are Balanced.

Key risk area

Provision for clinical and medical obligations

We are satisfied that the amount recognised as a provision appropriately reflects the amounts notified by the Central Legal Office (CLO). We have assessed management's estimation technique for the provision and related disclosures and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.

Audit Scotland undertake an annual review of the work carried out by the CLO to establish the extent to which the information they provide as a management expert can be used as audit evidence under ISA (UK) 500 and evaluate the appropriateness of the methodology adopted by Scottish Government to estimate the total national obligation. Audit Scotland has concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information.

SAS received information from the CLO after the balance sheet date in respect of an increase in the estimated settlement of an existing claim. The impact of this is material to the financial statements and a value of £7.092million has been adjusted for appropriately in the 2022/23 accounts as detailed at Appendix 2.

Provision for Pensions and similar obligations

SAS meets the additional costs of benefits beyond the NHS Superannuation Scheme in respect of employees who retire early by paying the required amounts on an annual basis over the period between early departure and normal retirement date. SAS provides for this cost in full with payments estimated using inflation and discount rates provided by HM Treasury.

We noted that SAS's calculations and development of a point estimate for this provision was not in line with our expectations. We are satisfied that the impact of this is not material to the financial statements and have raised an unadjusted difference of £150,000 as detailed at Appendix 2.

Other identified risks

In our External Audit Plan, we noted other identified risks which, although not considered to be significant, require specific consideration during the audit. Our findings are detailed below:

Upgrade to eFinancials

The eFinancial system was upgraded at the start of 2023. There was significant disruption to some elements of the system following this update.

While these issues have now been resolved, we considered these in the context of our audit to determine whether they led to a material misstatement in the 2022/23 financial statements.

Based on the audit work performed, we did not identify any issues in respect of the eFinancial system upgrade that would have a material effect on the financial statements.

Provision of payroll services

SAS's payroll services transferred to NSS in 2023, as part of a South East payroll service including SAS, NHS Fife, NHS Forth Valley and NHS Lothian. Staff transferred into NSS in February 2023. The controls have not changed from those operated by SAS's in-house team.

Our audit work has not identified any issues in respect of SAS's transfer of payroll services to NSS that would have a material effect on the financial statements.

Materiality

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

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

Our initial assessment of materiality for the group and SAS financial statements was £4.20million. On receipt of the unaudited annual accounts, we reassessed materiality and kept it at the same level as our initial assessment. We consider that our assessment has remained appropriate throughout our audit.

	Group £million	Board £million
Overall materiality for the financial statements	4.20	4.20
Performance materiality	3.15	3.15
Trivial threshold	0.21	0.21

Materiality

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

Our assessment of materiality equates to approximately 1% of SAS’s gross expenditure as disclosed in the 2022/23 unaudited annual report and accounts.

We set materiality for both the Group and SAS at the same level given our assessment and approach to the group audit. We have concluded that the Scottish Ambulance Service Endowment Fund is not a significant component to the overall group.

In performing our audit, we apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Group audit

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

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

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

Comprehensive – the component is of such significance to the group as a whole that an audit of the component’s financial statements is required for group reporting purposes.

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

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

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

Chiene + Tait LLP is the appointed auditor to the Scottish Ambulance Service Endowment Fund. We have nothing to report in respect of the following matters:

- No significant deficiencies in the system of internal control or instances of fraud were identified by Chiene + Tait LLP, and
- There were no limitations on the group audit.

Audit differences

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

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

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where we identify any control weaknesses as part of our control testing, we have included these at Appendix 4. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Service auditor reports

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

Shared service	Service assurance
<p>National IT contract</p> <p>This contract covers the services provided by ATOS IT Services UK Limited e.g. controls over the principal IT service delivery supporting eFinancials.</p>	<p>NHS National Services Scotland (NSS) procures a service auditor report from KPMG. In May 2023 KPMG reported an unqualified audit opinion. We have considered the findings of the report and are satisfied that the findings do not have a material impact on our audit approach or conclusions.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran provide the eFinancials service with the IT service delivery being provided via the 'National IT contract' including the Real Asset Management system on behalf of all Scottish Health Boards</p>	<p>NHS Ayrshire and Arran procure a service auditor report from BDO. In May 2023 the service auditor report highlighted no critical or significant risk findings and reported an unqualified opinion.</p>

Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the previous auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

Other communications

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year with exception of the addition of accounting policies in respect of the implementation of IFRS 16.

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

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

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

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

Key judgements and estimates

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

Consideration was given to asset valuations, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts, IFRS 16 implementation and accruals. Other than asset valuations, provisions and IFRS 16 implementation we have not determined the accounting estimates to be significant.

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

In addition, we are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements which are deemed to not be key to the overall financial statements.

Fraud and suspected fraud

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

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

Non-compliance with laws and regulations

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

Written representations

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

Related parties

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


Confirmations from third parties



All requested third party confirmations have been received.

Wider Scope

Overall Conclusion

We recognise the significant challenges which SAS faces due to the environment in which it operates including funding, financial management and performance risks and challenges. The significance of these risks reflects the gradings which have been provided for each wider scope area however, we are satisfied that SAS has good arrangements in place to manage and mitigate these risks under each wider scope area.

	Auditor judgement 
<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 and the way in which they should be delivered.</p>	<p>SAS has good arrangements in place for short and medium term financial planning. SAS continues to work towards the achievement of a long term sustainable financial position.</p> <p>The financial position for SAS is difficult as it is forecasting a cumulative budget gap of £27.75million over the period 2023/24 to 2024/25 with a breakeven position forecast for 2025/26. This budget gap is inclusive of a challenging savings target of £36million over the three year forecast period, with the assumption that 70% of savings will be recurring.</p> <p>SAS will continue to face challenges over the next few years in achieving a balanced financial position due to a mix of COVID-19 legacy and more general pressures on the health service. SAS’s ability to develop and maintain its core services and new initiatives in a sustainable manner remains a significant risk from 2023/24 and beyond and requires continuing careful management and oversight.</p>

<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement </p> <hr/> <p>SAS has effective arrangements in place for financial management.</p> <p>The SAS met its key financial targets in the year, delivering an underspend against its revenue resource limit and its capital resource limit. A savings target of £17.35million was set for 2022/23 and SAS achieved the delivery of these, primarily through best value programmes and local efficiency plans.</p> <p>From June 2022 to February 2023, deficit positions were forecast in each Summary Financial Performance Report presented to the Board. In the final quarter of 2022/23, Scottish Government provided an additional £5.5million of funding to cover COVID-19 expenditure and £1million towards fuel cost pressures. This contributed to SAS achieving a small year-end surplus position.</p>
<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Auditor judgement </p> <hr/> <p>Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.</p> <p>Appropriate arrangements are in place to oversee the delivery of the 2030 Strategy and we encourage SAS to set key performance indicators which align to the Board strategic ambitions and portfolio delivery plans to support the quantitative assessment and scrutiny of progress.</p> <p>Formal assurances from senior management on the systems of internal controls in place throughout the year had not been completed until June 2023, after the drafting of the governance statement. We deem this to be a key source of assurance to inform the preparation of the governance statement and encourage SAS to review their year-end timetable to ensure these are completed in a more timely manner.</p>

Use of Resources to Improve Outcomes

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

Auditor judgement



SAS has appropriate performance management processes in place that support the achievement of value for money. Performance in 2022/23 was the same or improved in 22 of the 25 KPIs, compared to the previous year. This represents a high level of performance in the context of ongoing service demand pressures across the health service.

SAS has recognised that response times remain at levels significantly higher than has been seen historically. This outcome is impacted by a range of complex issues impacting across many areas of the patient journey, including the waits at accident and emergency departments (which impacts on ambulance availability). SAS has put in place a number of initiatives to focus on improved performance in this area and is working with partner organisations across the NHS to support improvement.

Over the past three years, through the Demand and Capacity Programme, SAS accelerated the recruitment of an additional 1,388 staff and 52 new A&E vehicles across the country, along with a number of other support and response vehicles to much more closely match patient demand. The final meeting of the Programme Board is scheduled for June 2023 where the programme activity will integrate into the Strategy 2030 portfolio boards work and become business as usual

Financial management

Significant audit risk

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

Financial management

In March 2022, the Board approved its 2022/23 financial plan which showed a balanced outturn position. However, by June 2022, SAS forecast projected overspend.

The latest forecast (February 2023) projected a deficit of £1.5million, resulting from a shortfall in COVID-19 funding and increasing fuel cost pressures. The 2022/23 financial plan assumed funding from the Scottish Government to cover COVID-19 expenditure in full, however, in June 2022 it was confirmed that only £8.6million of funding would be received to cover expected costs of £15million. The increase in COVID-19 costs is primarily due to the necessity for the Service to continue with increased staffing within the Ambulance Control Centres to meet the increased demand in emergency calls, the impact on increased overtime as a result of shift overruns from turnaround times and staff absence and the need for the timed admissions development. SAS has forecast that similar levels of COVID-19 costs are expected to recur in 2023/24. An additional COVID-19 allocation of £4million was received in January 2023 which reduced the forecast shortfall on COVID-19 funding to £1.5million. A further allocation was received in March 2023 for the shortfall of £1.5million with the COVID costs now fully funded by Scottish Government in 2022/23.

As a result of the additional funding received SAS are projecting a break-even position for 2022/23. The year-end financial position is highly reliant on the delivery of a savings target of £17.35million.

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

Financial performance 2022/23

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

All key financial targets were met in 2022/23. SAS made a saving against its core revenue resource limit of £0.042million.

Performance against resource limits 2022/23

Financial target	Limit £000	Actual £000	Variance £000
Core revenue resource limit (RRL)	402,430	402,388	42
Non-core revenue resource limit	21,887	21,887	-
Core capital resource limit (CRL)	31,668	31,658	10
Non-core capital resource limit	40	40	-
Cash requirement	433,658	433,658	-

Financial Outturn

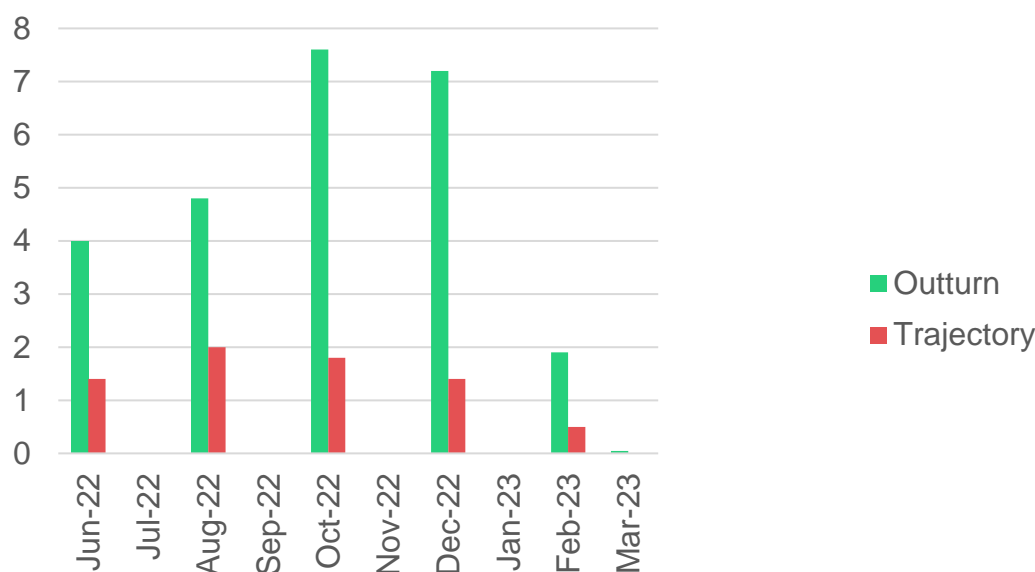
At the outset, SAS forecasted a breakeven position which was predicated on the achievement of £17.35million efficiency savings.

From June 2022 to February 2023, deficit positions were forecast in each Summary Financial Performance Report presented to the Board. We noted the most significant movement between reported deficit and trajectory position, expected from the 2022/23 financial plan, was the position reported to the October 2022 (£7.6million deficit against £1.8million deficit trajectory) and December 2022 (£7.2million deficit reported against £1.4million deficit trajectory) Board meetings.

The key pressures which SAS recognised as influencing the increased reported deficit position during these months were:

- Shortfall in COVID-19 funding;
- Increasing fuel cost pressures;
- Shortfall in full year commitments allocation; and
- Delivery against a challenging efficiency target.

Exhibit 1: Financial Outturn against trajectory



Source: 2022/23 Summary Financial Performance Reports and analysis

SAS maintained close communication with the Scottish Government during this period of significant in-year financial challenge. In the final quarter of 2022/23, Scottish Government provided an additional £5.5million of funding to cover COVID-19 expenditure and £1million towards fuel cost pressures. This contributed to SAS achieving a small year-end surplus position.

Financial impact of the COVID-19 pandemic

The 2022/23 financial plan assumed funding from the Scottish Government to cover COVID-19 expenditure in full. The financial plan estimated the full year impact of COVID-19 in 2022/23 to be up to £16.2million for the year, which is in line with the 2021/22 COVID-19 outturn expenditure position. In June 2022, it was confirmed that only £8.6million of funding would be received to cover expected COVID-19 costs.

COVID-19 costs were not expected to reduce in 2022/23 primarily due to the necessity for the service to continue with increased staffing within the Ambulance Control Centres to meet the increased demand in emergency calls, the impact on increased overtime as a result of shift overruns from turnaround times and staff absence, and the need for the timed admissions development.

Exhibit 2: Breakdown of 2022/23 COVID-19 expenditure

Category of Resource	£m
Additional pay & staff overtime	12.29
Logistics, Education	0.91
Mobile Vaccination Unit Costs	0.90
Total COVID costs to date	14.10

Source: Summary Financial Performance to 31 March 2023- May 2023

Additional COVID-19 funding was confirmed in February 2023 of £4 million, recognising the pressures in timed admissions and Ambulance Control Centres, with a final £1.5 million received in March 2023. This allowed SAS to achieve full funding against revised COVID-19 costs of £14.1million.

SAS has committed to continue to work closely with the Scottish Government to identify and monitor any changes areas of current COVID-19 and system pressures expenditure including the expected operational services impact of any changes. In addition, the impact of COVID-19 on SAS’s financial position and performance will continue to be reported to the Board monthly throughout 2023/24.

Efficiency savings

At the outset, SAS forecasted a breakeven position which was predicated on the achievement of £17.35million efficiency savings. SAS achieved the delivery of these savings in full, primarily through best value programmes and local efficiency plans.

The proportion of savings achieved on a recurring basis in 2022/23 was 43% compared to 48% in 2021/22.

Reliance on non-recurring savings places additional pressures on the future financial position of SAS and therefore requires careful management. SAS’s efforts to reduce reliance on non-recurring savings includes refocusing the best value and efficiency planning processes with a priority on recurring opportunities and harvesting fortuitous non recurrent savings into recurring benefits where possible.

Capital programme

SAS reported a small underspend of £0.01million against its core capital resource limit (CRL) of £31.668million.

The Service received a recurring capital allocation of £1.794million. Additional earmarked allocations were received in 2022/23 in relation to the Fleet Replacement

Programme (£22.980million), Scotstar (£0.250million), property minor works (£0.327million), IFRS 16 right of use assets (£2.665million) and Transport Scotland Switched on Fleet (£1.770million).

In addition, a further capital grant was received from Transport Scotland of £1.882million to fund additional infrastructure for electric charging.

Systems of internal control

We have evaluated the Board's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.

We did not identify any significant weaknesses in SAS's accounting and internal control systems during our audit.

Internal audit

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

Prevention and detection of fraud and irregularity

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

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

National fraud initiative

The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.

The most recent NFI exercise commenced in 2022, with matches received for investigation from January 2023. At the time of writing, SAS has investigated and closed off all creditor matches with no fraud identified and work is ongoing to investigate payroll matches with a report on progress due to be presented to the Audit Committee in June 2023.

Overall we concluded that SAS's arrangements with respect to NFI are satisfactory.

Financial sustainability

Significant audit risk

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

Financial sustainability

SAS submitted its draft medium term financial plan to the Scottish Government, in line with set deadlines, in March 2023. The final version of the plan was considered by the Board in March 2023. SAS has committed to align its medium term financial plan to its annual delivery plan, workforce plan and 2030 strategy.

The financial plan shows a cumulative financial gap of £27.75million over the period 2023/24 to 2024/25 with a breakeven position forecast for 2025/26. This position reflects the continued impact of COVID-19 and operational pressures on the service and is subject to the delivery of efficiency savings plans (cumulative target of £36million over the period 2023/24 to 2025/26). Whilst efficiency savings plans have been met in recent years, a high proportion of savings achieved have been non-recurring. The medium-term financial plan includes the assumption that 70% of efficiency savings will be recurring. SAS has recognised achievement of this target will be challenging due to the forecast split of efficiency savings in 2022/23 being closer to 40% recurring.

The Scottish Government has indicated its intention to produce a whole-NHS Scotland plan with population-based priorities. SAS will develop an operational plan in June 2023 setting out what it will deliver between July 2023 and June 2024. Future funding allocations will be based upon the new integrated plan and SAS has committed to review its medium-term financial plan in June 2023 to reflect its operating plan and NHS Scotland policy priorities over the short, medium and long term as issued in the Scottish Government's planning guidance.

SAS continues to face challenges in achieving financial balance in amongst the unprecedented challenges of recovering from the COVID-19 pandemic. The emerging and uncertain impact on SAS's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk.

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

2023/24 Financial Plan

SAS presented the 2023/24 financial plan to the Board in March 2023 for scrutiny and approval. The financial plan for 2023/24 shows a forecast funding gap of £19million.

The following financial pressures / risks are highlighted in the 2023/24 financial plan:

- Delivery of efficiency savings;
- COVID/system costs and funding;
- Pay pressures- impact of agenda for change pay deals;
- Delivering digital developments; and
- Operational Pressures funding (including demand and capacity and the clinical hub).

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

During the first quarter of 2023/24, SAS was working with the Scottish Government to seek further funding to support the £10.5million of COVID-19 costs and £4million of unfunded pressures identified in the 2023/24 financial plan. At the time of writing, SAS are awaiting the outcome of the case for additional funding.

Exhibit 3: 2023/24 deficit position

	2023/24 £m
Deficit brought forward	10.0
Pressures- Pay	5.8
Pressures- Non Pay	7.3
Baseline Funding Uplift	(6.6)
Net Gap	16.5
Efficiency Savings	12.0
Gap after 3% efficiencies implemented	4.5 deficit
Operational commitments unfunded gap	4.0
COVID and related system pressures	10.5
Total deficit in 23-24	19.0 deficit

Source: Financial Plan 2023/24- 2025/26- March 2023

Savings plan

Delivery of savings is a fundamental component of achieving financial balance. For 2023/24, SAS has a £12million (3% efficiency savings) savings target, with the assumption within the financial plan that 70% of savings will be recurring.

The £12million savings target represents a level lower than in the previous two years. Whilst savings targets have been met in each of the recent years, a higher proportion of the 2023/24 target is non-recurring savings. It is important that SAS closely monitors the delivery of savings identified to ensure that achievement of savings does not impact on its quality of service delivery.

The Best Value paper presented to the May 2023 Performance and Planning Steering Group meeting highlighted that £3.856million of the 2023/24 efficiency savings target remains unidentified. SAS have committed to quantify the level of

unidentified savings in the first quarter of 2023/24 and we encourage this to be undertaken as a matter of priority.

SAS has recognised within their financial plan that the challenge for 2023/24 remains that operational pressures reduce the capacity to focus on the best value programmes. To mitigate this challenge, SAS has developed a smaller number of high value ‘must do’ programmes to focus on and to be supported by additional capacity and support.

Exhibit 4: 2023/24 savings target

	2023/24 £m
Best Value programmes	3.7
Devolved efficiency targets	3.4
Grip and control	1.0
Unidentified savings	3.9
Savings target	12.0

Source: Financial Plan 2023/24- 2025/26- March 2023

Financial impact of the COVID-19 pandemic

The 2023/24 financial plan identified forecasted COVID-19 unfunded pressures of £10.5million.

SAS has recognised within their financial plan that COVID-19 costs cannot be reduced without having a significant impact on the quality of service delivery including patient safety. The impact of these costs will be monitored closely and highlighted to the Board through the Summary Financial Performance Reports.

As detailed in the Financial Management section of this report, one of the main drivers of COVID-19 expenditure is the impact of shift overruns from turnaround times on increased overtime.

At the beginning of 2023, a Short Life Working Group (SLWG) was set up by the Scottish Government to focus on the continuing significant delays for ambulances at A&E departments across Scotland. The SLWG developed a set of principles for safe transfer of patients to hospital and to ensure the timeous handover of ambulance

patients. These principles were agreed with NHS Board Chief Executives in April 2023.

SAS has recognised that this initiative will support with the reduction in turnaround times and Scottish Government expectations as described within the guidance is the Health Boards should aim to have implemented up to 100% of patients from August 2023. We encourage SAS to review the short and medium term COVID-19 expenditure assumptions within the financial plan when the realisation of benefits from this initiative are quantifiable.

Medium Term Planning

SAS's medium term financial plan (2023/24 to 2025/26) was submitted to the Scottish Government in line with set deadlines and approved by the Board in March 2023.

The financial plan shows a cumulative financial gap of £27.75million over the period 2023/24 to 2024/25 with a breakeven position forecast for 2025/26. This financial gap position is after inclusion of a challenging savings target of £36million over the three year period.

It is also recognised that there are some uncertainties around evolving cost pressures which have not yet been agreed that may affect the funding gap. These include further pay negotiations, wider system pressures and the continued global financial and economic context.

SAS has recognised that the medium term financial plan presents a very challenging three years for the service and emphasises the need to link the plan with work within wider transformation plans. Work is ongoing to align the work within the financial plan to the 2030 Strategy portfolios, annual delivery plan and workforce planning.

The Scottish Government provided feedback to NHS Boards on their medium term financial plan in March 2023. The feedback letter identified the following next step actions for SAS to undertaken by 30 June 2023:

- Continued development of a financial recovery plan;
- Develop a plan to deliver 3% recurring savings in 2023-24 and to develop options to meet any unidentified or high risk savings balance;
- Develop other measures to be taken to further reduce the financial gap; and
- Undertake a review of the key underlying drivers of the deficit, specific risks as presented within the financial plan and the reasons for the significant change from the position in 2022-23.

We are satisfied that SAS's medium term financial plan reflects 3% efficiency savings targets and focuses on the service's return to financial balance. In addition, SAS are currently on track to provide feedback on their progress made with the



Scottish Government's identified next step actions alongside the submission of their 2023/24 Annual Delivery Plan in June 2023.

The emerging and uncertain impact on SAS's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk for 2023/24 and beyond and requires continuing careful management and oversight.

Vision, leadership and governance

Leadership

The Chief Executive, Pauline Howie, is due to retire at the end of June 2023. Michael Dickson has been appointed as the new Chief Executive and will take up post on 1 July 2023.

A formal induction programme is planned to be implemented on the commencement of the role. A pre-induction programme has already commenced which includes attendance at the following meetings, alongside Pauline Howie:

- SAS/NHS 24 Joint Board meeting and Board Development session on 28 March.
- SAS-SG-NHS 24 strategic meeting on 18 May.
- Board public and private session on 31 May.
- SAS-NHS Lanarkshire Joint Board session on 2 June.
- Ambulance Control Centre with Chief Operating Officer on 19 June.
- Executive development session and Executive Team visit to Edinburgh City on 20 June.

We are satisfied that these pre-induction arrangements allow the change in Chief Executive to be managed to ensure effective leadership is upheld within the service.

In addition, the Board held six development sessions during 2022/23. From review of the Board development sessions, we have concluded that it provides those charged with governance with the information and platform to continue to discharge its responsibilities effectively.

Governance arrangements

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

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

Board and Committee meetings

Board and Committee meetings have continued to be held virtually rather than in person, to date, to comply the need for non-essential travel and physical distancing,

and the preferred mechanism is now through MS Teams, in line with other NHS Boards. Board development sessions returned to in person meetings from March 2022.

Throughout 2022/23, the Board has been able to maintain all aspects of board governance, including its regular schedule of Board and Committee meetings.

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

In addition, the Board continues to receive weekly update reports on performance and governance issues as they relate to system pressures, to provide further scrutiny and oversight of performance.

Blueprint for Good Governance

The Board's self-assessment, carried out in 2019, to assess the efficacy of its governance arrangements in delivering on the Blueprint's objectives, informed the service's Good Governance action plan. The action plan was closed in 2021 and any incomplete actions were integrated into the development of the Board Assurance Framework which was approved by the Audit Committee in June 2021 and the Board in August 2021.

The refreshed Blueprint for Good Governance (second edition) was published by the Scottish Government in December 2022. There were a number of new sections in the revised edition including detail on Assurance Frameworks, Risk Management System and Audit arrangements. Work in ongoing within the Board to use the refreshed Blueprint to benchmark its current governance arrangements against to demonstrate best practice and continuous improvement.

The Blueprint sets an expectation that each Board's governance arrangements will be subject to an annual self- assessment exercise and an external evaluation once every three years. The next Blueprint self-assessment against areas outlined in the document is expected to be released in July 2023.

The Board held a development session in April 2023 which included attendance at the Scottish Government national event to raise awareness to Board members of the updated guidance on what constitutes good corporate governance practice and provide greater detail on specific delivery mechanisms that support governance.

Certificates of Assurance

The Scottish Public Finance Manual states that preparation of the governance statement should be informed by assurances from senior staff, amongst other key sources of information.

Senior staff prepare certificates of assurance on an annual basis to inform SAS's governance statement. However, these had not been prepared until June 2023 and the governance statement was drafted without assurances from senior staff.

We are satisfied that these certificates of assurance have now been prepared. No significant issues were noted and we deem the disclosures in the governance statement to be appropriate.

We encourage management to review their year-end timetable to ensure certificates of assurance are completed sufficiently early enough to support SAS's assessment of the effectiveness of the system of internal control and governance arrangements.

Action Plan Point 2

Exit Packages

As part of our audit procedures, we identified one exit package for a value of £7,513, representing the end of a fixed term contract, which was not authorised in line with Scottish Government agreed procedures held within DL(2019)15 NHS Scotland: Guidance on Settlement and Severance Schemes. We encourage management to ensure that all exit packages are authorised in line with the appropriate Scottish Government agreed procedures.

Action Plan Point 3

Strategy 2030

SAS launched its 2030 Strategy in September 2022.

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

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

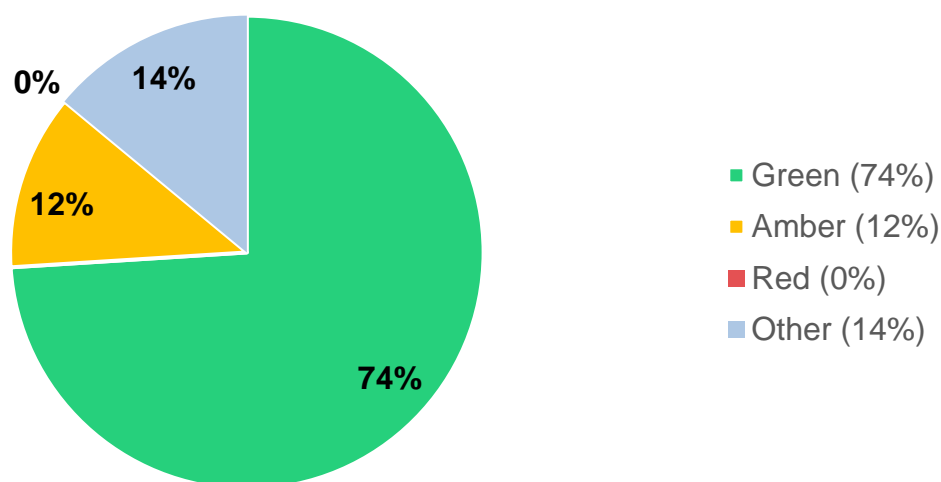
- We will provide the people of Scotland with compassionate, safe and effective care where and when they need it.
- We will be a great place to work focusing on staff experience, health and wellbeing.
- We will innovate to continually improve our care and enhance the resilience and sustainability of our services.
- We will work collaboratively with citizens and our partners to create healthier and safer communities.
- We will improve population health and tackle the impact of inequalities.
- We will deliver our net zero climate targets.

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

The 2030 Portfolio Boards met for the first time in November 2022, chaired by their respective Portfolio Executive leads. In addition, a 2030 Portfolio Manager and Strategy Administrator have been appointed to develop and ensure high quality, standardised reporting across projects, programmes and portfolios.

Progress in achieving the delivery plans has been presented to each Board meeting. The progress report presented to the May 2023 Board meeting highlighted that good progress is being made across all portfolios of work. As detailed in exhibit 5, 74% of projects were awarded a green RAG status, 12% amber RAG status and 14% other status. Projects provided with an 'other' status represent projects which are all in planning or early scoping stages.

Exhibit 5: 2030 Strategy Project Status



Source: Delivering our 2030 Strategy Update- May 2023

We are satisfied that appropriate arrangements are in place to oversee the delivery of the 2030 Strategy, and we encourage SAS to set key performance indicators which align to the Board strategic ambitions and portfolio delivery plans to support the quantitative assessment and scrutiny of progress.

Use of resources to improve outcomes

Performance Management Arrangements

Performance management framework

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

On an annual basis, the executive team review the KPIs and targets to ensure they remain appropriate. The latest review was undertaken in April 2023 to inform the 2023/24 performance targets which highlighted a need to develop measures which align to Scotland's strategic health and care aims, SAS's clinical response categories and the overarching aims of the 2030 Strategy.

The Board Quality Indicators Performance Report presented to the May 2023 Board meeting highlighted the key areas of future development of performance measures for SAS which includes enhancing performance detail for each group of patients including patients at high risk of acute deterioration patients requiring further specialist intervention and non-emergency patients. In addition, indicators to measure the Service's contribution to wider population health and care assurance are also under development.

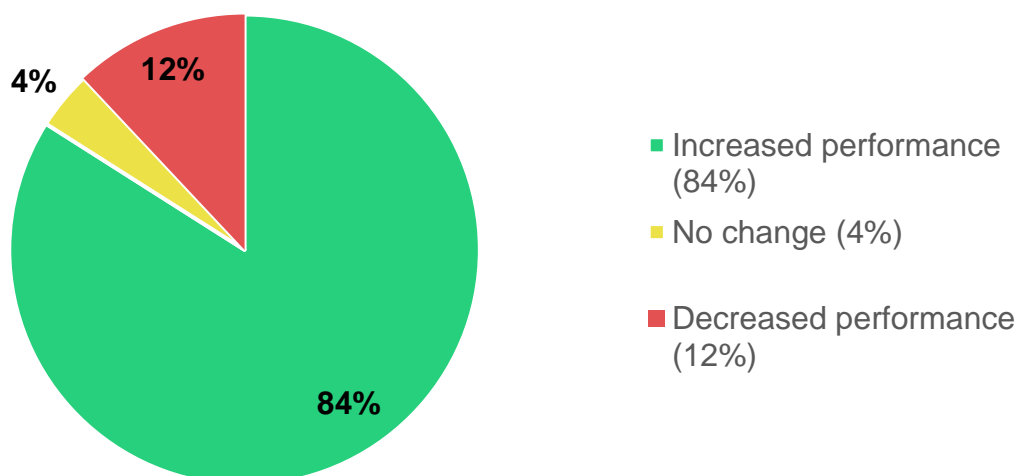
Through review of Board papers, we concluded that performance is given the appropriate level of scrutiny and challenge.

Performance in 2022/23

As detailed in the 2022/23 year end balanced scorecard, 16 of the 25 KPIs successfully met target and 9 KPIs did not meet target.

Our analysis at Exhibit 6 shows an improvement in performance compared to the prior year. Performance for 84% of KPIs has improved, 4% of KPIs were consistent with the prior year and 12% worsened since 2021/22.

Exhibit 6: March 2023 Balanced Scorecard



Source: Op Exec Vector of Measures- Comparison- March 23- April 2023

The three KPIs where performance reported was lower than the 2021/22 position are as follows:

- Turnaround Times- Average: actual 00:59:27 (00:51:26 in 2021/22)
- PTS Punctuality for Outward Journey: actual 80.9% (82.4% in 2021/22)
- Emergency Patients Managed at Point of Call: actual 23.4% (26.9% in 2021/22).

The one KPI which presented decreased performance compared to 2021/22 and is also outwith the 2022/23 target, is average turnaround time. SAS has recognised that turnaround times remain at levels significantly higher than have been seen historically and the impact that this has on overall service time, utilisation and ambulance availability. Addressing turnaround times is a key priority for the Board and SAS has put in place a number of initiatives to focus on improved performance which includes:

- Hospital Ambulance Liaison Officers (HALOs) have been deployed at the busiest hospital sites to ensure SAS are fully integrated in support of whole system hospital flow;
- Weekly or bi-weekly meetings between Chief Executives at the most challenging sites;
- Increased use of 'safe to sit' practice to avoid patients waiting in ambulances where they can safely wait in COVID-19 compliant waiting areas;

- Daily conference calls with HALOs take place to ensure early escalation of issues but also to ensure support for the HALOs in engaging with sites; and
- Hospital arrival screens available to Hospital teams to monitor ambulance patients who are waiting to be handed over and ambulance patients due to come into Emergency Departments and the hospital helping with managing flow.

Demand and Capacity

In order to address the increased demand on the service, SAS continues to invest in its Demand and Capacity programme through additional Scottish Government funding. The aim of the programme is to deliver the best possible care for patients and protect staff welfare through recruitment of additional resources and redesigning of staff rosters.

Over the past three years, through the Demand and Capacity programme, SAS has accelerated the recruitment of an additional 1,388 staff and 52 new A&E vehicles across the country, along with a number of other support and response vehicles to much more closely match patient demand.

Phases 1 and 2 and 3 of the Demand and Capacity Programme have been delivered with investment of £25million for the financial year 2022/23 confirmed from the Scottish Government in September 2022.

Implementation of Phase 3 is now complete with recruitment complete for the additional 162 staff. Total demand and capacity funding of £40 million has been received by SAS to date.

The programme is governed by the Demand and Capacity Programme Board which meets monthly and is chaired by the Chief Executive. The final meeting of the Programme Board is scheduled for June 2023 where the programme activity will integrate into the Strategy 2030 portfolio boards' work and become business as usual.

As a result of the implementation of the Demand and Capacity programme, SAS have reported increasing hours of shift coverage and this is planned to continue into 2023/24 whilst the final tranche of the additional staff complete their training and start on shift.

The current Demand and Capacity programme is focused on unscheduled care and SAS undertook an external review of Demand and Capacity for scheduled care in May 2023. Work is ongoing to develop a programme proposal based on the review's recommendations where this work will also be delivered through the work of the Strategy 2030 portfolio boards.

Air Ambulance Re-Procurement

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

During 2022/23, SAS underwent a consultation and engagement exercise to gather input from staff, stakeholders, the public and partner organisations. The formal process of selecting a provider for the new air ambulance contract is ongoing and SAS is currently on track to award the contract by the end of July 2023.

Climate Change

SAS's Sustainability Strategy 2030 was approved by the Board in September 2022. A 3 year action plan to support delivery of the strategy was approved by the Board in March 2023.

As outlined in the strategy, SAS has set a corporate emission reduction target of being a net zero service by 2040. This target is in line with the NHS Scotland climate emergency and sustainability strategy: 2022-2026.

In addition, SAS has interim targets to measure progress towards an overall corporate emission reduction target which are:

- Fleet – replacement of all fossil fuelled 2WD/Light vehicles(cars/small vans)by 2025.
- Complete fleet decarbonisation by 2030/32
- Implement zero emission heating by 2038
- Net zero estate by 2040.

SAS has recognised that the target for Net Zero relies on transformation of its existing estate. During 2022/23, a grant was provided by Scottish Government of around £200,000 to replace lighting in some stations to LED and this is currently being implemented. The cost to replace the lighting in all owned properties over the next two years is approximately £1.9million. A funding bid has been submitted for this to the decarbonisation fund.

In addition, work is ongoing to assess the impact of converting SAS's owned properties to a 'green ambulance' station with a small decarbonisation funding bid that has been approved. SAS has included funding for sustainability capital projects in its medium term financial plan.

During 2022/23, SAS has monitored and reported progress towards meeting its emission targets through its Climate Emergency Response and Sustainability Group, Public Bodies Climate Change Duties Annual Report and through annual



performance reporting. The next sustainability annual performance report is due to be presented to the Board in September 2023.

Appendices



Appendix 1: Responsibilities of SAS and the Auditor	58
Appendix 2: Audit differences identified during the audit	65
Appendix 3: Follow up of prior year recommendations	69
Appendix 4- Action Plan	73



Appendix 1: Responsibilities of SAS and the Auditor

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

SAS responsibilities

SAS has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

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

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

Area	SAS responsibilities
------	----------------------

	arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The [2021 Code](#) came into effect from 2022/23.

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

Our responsibilities

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

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

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

Wider scope audit work

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

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

Financial management



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

Auditor considerations

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

Financial sustainability



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

Auditor considerations

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

Vision, leadership and governance

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



Auditor considerations

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

Use of resources to improve outcomes

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



Auditor considerations

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

Best Value

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

Audit quality

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

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

Independence

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we confirm that there are no further matters to bring to your attention in relation to our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention.

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

Our period of total uninterrupted appointment as at the end of 31 March 2023 was one year.

Audit and non-audit services

The total fees charged to SAS for the provision of services under the 2021 Code in 2022/23 were as follows. Prior year charges for the predecessor auditor under the 2016 Code are also shown for comparative purposes:

	Current year	Prior year
	£	£
Audit of Scottish Ambulance Service Board (Auditor remuneration)	102,990	71,120
Total audit	102,990	71,120
Non-audit services	-	-
Total fees	102,990	71,120

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services have been provided to SAS.

Appendix 2: Audit differences identified during the audit

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

Adjusted misstatements

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

No	Detail	Assets	Liabilities	Reserves	SoCNE
		Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000
1.	Adjustment to CNORIS provision to reflect information receive after the balance sheet date	7,092	(7,092)	-	-
2.	Adjustment to reflect management's change in estimation method for the Learning in Practice (LiP) accrual		599		(599)
Net impact on (income)/expenditure					(599)
Net impact on net assets					599

Unadjusted misstatements

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

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

Misclassification and disclosure changes

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

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

No	Detail
1.	Remuneration Report- to reflect actuals per CETV calculators (current year and prior year disclosure amendment)
2.	Related parties- disclosure of the year end receivables balance with Scotland's Charity Air Ambulance
3.	Governance Statement- updated to reflect Internal Audit Opinion (management have agreed to make disclosure amendment on receipt of the Internal Audit Opinion)
4.	Staff Report- additional disclosures to reflect benefits in kind in fair pay disclosure
5.	Performance Report- to reflect March 2023 performance commentary and other minor disclosures
6.	Exit packages- to move exit packages from compulsory redundancies to other agreed departures in line with NHS Scotland: Guidance on Settlement and Severance Arrangements policy
7.	Pension costs- updated to reflect SPPA recommended text for NHS Pension Scheme (Scotland) disclosure

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

Impact of prior year unadjusted misstatements

The table below sets out the adjustments identified during the prior year audit that were not made within the prior year financial statements. We are satisfied that these prior year unadjusted misstatements were resolved in 2022/23 and do not impact on the current year.

No	Detail	Assets	Liabilities	Reserves	SoCNE
		Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
		£'000	£'000	£'000	£'000
1.	Being overstatement of year end accruals		478		(478)
2.	Being reversal of amounts written out in relation to receivables from other NHS Scotland bodies	750			(750)
Net impact on (income)/expenditure					(1,228)

Appendix 3: Follow up of prior year recommendations

We have followed up on the progress SAS has made in implementing the recommendations raised by the previous auditor last year.

Financial statements audit

Recommendations raised in 2021/22

Recommendation	<p>Provision for dilapidations</p> <p>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 recognised.</p>
----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Rating	N/A	Implementation date	December 2020
--------	-----	---------------------	---------------

Complete	Provisions have been recognised for leased property dilapidations in the 2022/23 accounts. New leases (including provisions) capitalised under IFRS16 and dilapidations for existing leases in accordance with IAS 37.
----------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Recommendations raised in 2021/22

Recommendation **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.

Rating	N/A	Implementation date	Procurement Report by July 2020 and Annual Accounts by December 2022
		Revised Implementation date	Annual Procurement Report completed and due to be published by July 2023. Procurement strategy update in progress and due to be presented to the Board in September 2023 will be published thereafter.

In progress At the time of our audit the Annual Accounts for the year ended 31 March 2021 and 31 March 2022 had been published on the Board’s website. However, the Annual Procurement Report and Procurement Strategy have still not been published.

Recommendations raised in 2020/21 and 2018/19

Recommendation (2020/21) **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 calculation, especially those material in nature, we recommend a secondary review of the calculation is performed to ensure its accuracy.

Rating	N/A	Implementation date	August 2021
		Revised Implementation date	June 2023

In progress

We identified one instance in 2022/23 where there was insufficient evidence to support authorisation of the journal. Our testing confirmed that the journal was appropriately supported by evidence, and we concluded that there was no indication of management override. We encourage SAS to reiterate their journals procedures to all staff and that compliance is monitored.

Recommendation (2018/19) **Financial management**

Scottish Ambulance Service's outturn position was achieved through delivery of £12.7million 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 £4.1million of slippage and a further £5million of savings which are non-recurring leading to a total underlying deficit of £9.1million being carried forward into 2020/21. While

Recommendations raised in 2020/21 and 2018/19

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 £57.115million in the coming three years. While efficiencies and savings have been identified there are residual unidentified savings of £5.6million which need to be identified and achieved alongside planned slippage of £2million in 2020/21 in order for Scottish Ambulance Service to breakeven in each of the three financial years. The identification of further savings to breakeven should be closely monitored to assist in achieving financial balance.

Rating	N/A	Implementation date	From April 2019
		Revised Implementation date	By April 2026 as described in financial plan

In progress	In 2022/23 SAS operated within its financial targets but continues to rely on non-recurring savings with only 43% of savings in year delivered on a recurring basis. The 2023/24 to 2025/26 financial plan includes the assumption that 70% of savings will be recurring over the three year period. It is important that SAS closely monitors the delivery of savings identified to ensure that achievement of savings does not impact on its quality of service delivery.
-------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Appendix 4- Action Plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2022/23 audit.

The recommendations are categorised into three risk ratings:

Key:

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

	Other observation
Observation	<p>Our audit procedures highlighted a balance on the POP accrual of £324million. This was brought to the attention of the finance team through their monthly review of accruals and was appropriately reversed.</p> <p>On discussion with the finance team and management, the large POP accrual balance was due to a purchase order being receipted incorrectly, using the order value instead of the quantity. The finance team confirmed that in the PECOS system when an order is receipted for a quantity outwith the tolerable variance threshold, users receive a pop up prompt to advise if they are over-receipting and asks them if they wish to continue or cancel the receipting process.</p>
Implication	<p>If PECOS purchase orders are not receipted appropriately, there is a risk that accruals and expenditure may be overstated in the annual accounts.</p>
Recommendation	<p>We encourage PECOS procedures are reiterated to all staff and compliance is monitored.</p>
Management response	<p>Action point noted and finance staff will ensure PECOS procedures are reiterated to budget holders through the monthly budget meetings.</p> <p>Responsible individual: Deputy Director of Finance</p> <p>Due date: From June 2023.</p>

2. Certificates of Assurance

Other deficiency

Observation	Certificates of assurance, which should be prepared by senior management to inform the statements made within the governance statement, had not been prepared until June 2023.
Implication	Preparing the governance statement without documented assurances from senior management is not in accordance with the requirements of the Scottish Public Finance Manual (SPFM).
Recommendation	SAS should review its year-end timetable to ensure certificates of assurance are completed sufficiently early enough to support SAS's assessment of the effectiveness of the system of internal control and governance arrangements.
Management response	<p>Noted. The draft governance statement was further reviewed and updated following receipt of the certificates of assurance. These will be issued in early April 2024 to ensure timely completion and inclusion within the governance statement</p> <p>Responsible individual: Director of Finance</p> <p>Due date: April 2024 (with timetable completed by December 2023)</p>

3. Exit Packages Authorisation

Other deficiency

Observation	As part of our audit procedures, we identified one exit package for a value of £7,513, representing the end of a fixed term contract, which was not authorised in line with Scottish Government agreed procedures held within DL(2019)15 NHS Scotland: Guidance on Settlement and Severance Schemes.
Implication	Non-compliance with applicable Scottish Government could result in unlawful transactions being authorised and reduced transparency in relation to the authorisation of exit packages.
Recommendation	We encourage management to ensure that all exit packages are authorised in line with the appropriate Scottish Government agreed procedures.
Management response	<p>HR to review procedures for termination of fixed term contracts and comply in line with the guidance on settlement and severance schemes DL. Procedures will be update to reflect this.</p> <p>Responsible individual: Director of Workforce</p> <p>Due date: June 2023</p>



© Azets 2023. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology
