



Grant Thornton

Scottish Ambulance Service

External Audit Plan for the financial year ending 31 March 2019

Audit Committee 16 January 2019

Final Plan

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Our audit at a glance



Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding with no material adjustments in the prior year.



Board and Group materiality is set at 2% of gross expenditure for the group based on 2017/18 audited information (£5.187 million). This is based on our assessment of what misstatement either individually or in aggregate could be significant as to be misleading to the users of financial statements.



Significant audit risks are: management override of controls as set out in International Standards on Auditing (ISAs UK) and expenditure recognition as set out in Financial Reporting Council (FRC) Practice Note 10.

An audit underpinned by quality and adding value to you



During 2018/19 as set out in the Audit Scotland planning guidance we will consider certain factors that may impact on the Board including: EU Withdrawal, changing landscape for public financial management, dependency on key suppliers and openness and transparency in reporting. We will consider these where relevant throughout our audit work.



The Scottish Ambulance Service continues to operate in a challenging financial environment. A new Best Value working group with a role in identifying and delivering efficiency savings will be critical in supporting the delivery of financial targets.



Our audit is undertaken in accordance with the Audit Scotland Code of Audit Practice and reflects the wider scope nature of public audit. Our wider scope risks identified are: Financial sustainability, focusing on the work of the Board in developing a sustainable service delivery model and the adequacy of performance management arrangements.

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Overarching principles of our audit

Our audit is risk based and undertaken in accordance with the International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016 ('the Code').

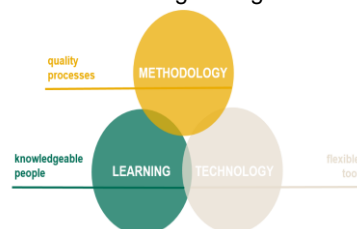
Our overall objective is a effective, quality-focused external audit which adds value through wider insights and challenge. Our audit foundations are:

- ✓ professional scepticism
- ✓ a focus on audit risks and key areas of management judgement
- ✓ Delivering a quality audit through our experienced public sector audit team, use of data analytics to focus our audit and understanding of the organisation
- ✓ clear and upfront communications, with regular communication during the year
- ✓ reporting with focused actions which will support you in improving your controls/operations

Adding value

Our aim is to add value to Scottish Ambulance Service through our external audit work. This will be delivered through delivering a high quality audit. Specifically for Scottish Ambulance Service we will also undertake the following arrangements:

- **Robust and effective audit methodology:** Our ISA compliant audit methodology is tailored to **focus audit resource on significant risk areas** and key estimates and judgements.
- **Investing in our people:** Our resourcing model is designed to ensure you have a **skilled, Public Sector experienced and knowledgeable audit team**.
- **Investing in technology:** We continue to invest in data analysis and audit software to deliver an **efficient ISA compliant audit processes**.



We will share relevant Audit Scotland and Grant Thornton publications with Senior Management and the Audit Committee, identifying particular areas for consideration. We will pro-actively work with management during the year to discuss any new or emerging matters, such as the new applicable standards per the NHS Manual for Accounts.

Audit timeline



Key audit deliverables

2018/19 Deliverables as set out in the Audit Scotland planning guidance (October 2018)

- Confirmation of agreed fee by end of February 2019
- Annual quality report to the Auditor General and Accounts Commission (January 2019)
- Current issues return for Health to Audit Scotland (21 January 2019)
- Submission of fraud cases to Audit Scotland on a quarterly basis
- National Fraud Initiative - completed Auditor questionnaire (30 June 2019)
- Submission of annual audit report and audited accounts (deadline end of June 2019)
- Submit minimum dataset for overview (1 July 2019)

Planned Audit Scotland publications which may be relevant to Scottish Ambulance Service

- Digital progress in central government and health (reporting early 2019/20)
- Modern Apprenticeships
- NHS in Scotland (July 2019)

External Audit deliverables for 2018/19 – Audit Committee

- External Audit Plan (this document)
- Annual Report to those Charged with Governance (June 2019) and the Auditor General for Scotland
- Audit Opinion
- Management letter of representation (June 2019)

Materiality



We undertake your audit in accordance with International Standards on Auditing (UK) (ISAs) and the Audit Scotland Code of Audit Practice (May 2016). On an annual basis we are required to give an opinion as to whether the Financial Statements:

- give a true and fair view
- have been properly prepared in accordance with relevant legislation and standards
- audited parts of the remuneration and staff report have been prepared in accordance with the guidance
- regularity of expenditure and income
- the wider information contained in the financial statements e.g. Accountability Report; Directors Report and Governance Statement is consistent with our audit knowledge and the financial statements

Basis for materiality

We determine financial statement materiality based on a proportion of the total operating expenditure. This approach is consistent with our prior year materiality determination. We have determined Board and Group materiality to be **£5.187 million**, which equates to approximately **2%** of your prior year total operating expenditure for the year. This is based on our judgement of our consideration of material to the user of the account based on understanding of SAS.

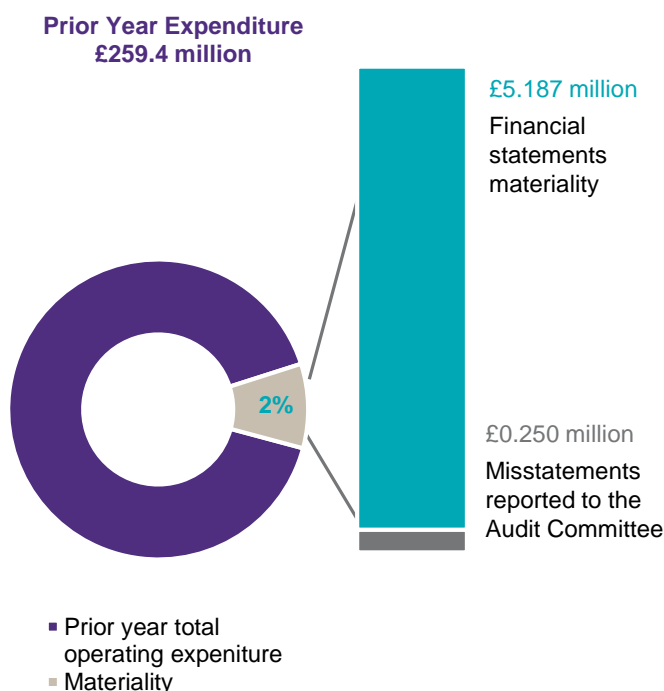
We will update our materiality based on the unaudited 2018/19 financial statements. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.

Performance materiality

Performance materiality represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. Based on our audit experience in 2017/18 we have retained this for 2018/19 at **75%**, being **£3.891 million**. Performance materiality determines those accounts which testing will be undertaken on and the level of sample testing performed where applicable.

Reporting to those charged with governance

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are required by auditing standards to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have determined this threshold to be **£250,000**.



A risk based audit methodology

A core part of audit planning is understanding Scottish Ambulance Service and the wider health sector. This is our third year as the external auditors of Scottish Ambulance Service appointed under the Audit Scotland framework.

Scottish Ambulance Service is in the fourth year of its five year strategic plan 2020: *Taking Care to the Patient*. Delivering this strategy requires whole system transformation. The Board continues to progress three main areas of activity: Clinical Services Transformation; Workforce Development; and Enabling Technology.

In 2017/18 the Board met its financial performance targets, breaking even against revenue and capital resource limits. However, the Board recognising the challenge in continuing to deliver and enhance its service delivery and quality of patient within financial resources available. During 2017/18 the Board delivered £8.6 million of savings to meet its financial targets. For 2018/19, the Board faces significant challenges in delivering its financial targets. In August 2018, the Board, reflecting the in year financial pressures, a financial recovery plan was developed to re-forecast and plan the current year. Reflecting these plans, the Board is now projecting a break-even position for the financial year. However, as at October 2018, the Board were reporting an overspend of £1.3 million against budget. This is primarily through higher than forecast expenditure, particularly through cost of diesel and travel and subsistence as well as timing of the delivery of planned savings. While the Board envisage that savings plans will be delivered later in the year, work is underway at the Board to ensure that there is a pipeline of projects in place and implemented over the coming months to provide additional recurring efficiency schemes. The Board recognise that the in-year financial position remains a key risk.

Significant risks

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

Overview of our significant audit risks identified at planning and our proposed approach

Risk area	Description of risk	Planned response
Risk of fraud in revenue recognition	As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In 2017/18, Scottish Ambulance Service's revenue resource allocation was £251 million. While material, we consider this funding to be well forecast and direct agreed to Scottish Government funding letter and draw down. We therefore consider the opportunity and incentive to manipulate this revenue stream as low and rebut the presumed risk around revenue recognition. Similarly, revenue from other Scottish Boards of £4.8 million is relatively well forecast and agreed to funding letter / inter-Board funding agreements. This reduces the opportunity for manipulation and the inherent risk of material misstatement in revenue recognition. Other income is not considered of such a magnitude that would present a significant risk of material misstatement. We therefore rebut the presumed risk of fraud in revenue recognition.	We rebut the presumed risk of material misstatement through revenue recognition at Scottish Ambulance Service. We will continue to assess the appropriateness of this assessment throughout our audit work, in particular when draft financial accounts are available.
Management override of controls	As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities	<ul style="list-style-type: none"> • A focus on understanding how/where management override of controls may occur • Review of the controls over journal entries using our journal analyser tool to focus on higher risk journals • Understanding key areas of judgement and accounting estimates including provisions and material accruals, within the financial statements and the basis for these judgements and the application of accounting policies. • Reviewing unusual and/or significant transactions that are out with the normal course of business

Overview of our significant audit risks identified at planning and our proposed approach

Risk area	Description of risk	Planned response
<p>Fraud in expenditure recognition as set out in Practice Note 10</p>	<p>Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As set out in Practice note 10 (revised) which applies to public sector entities. As payroll expenditure is well forecast and agreeable to underlying payroll systems there is less opportunity for the risk of misstatement in this expenditure stream. We therefore focus on non-pay expenditure. As financial performance targets are measured on year end outturn, we consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.</p>	<ul style="list-style-type: none"> • Perform cut off at year end on pre and post year end transactions and recording • Reviewing the completeness of creditors (and expenditure) recognised. • Walkthrough of the key expenditure controls in place • Regularity – Expenditure incurred in accordance with the type/nature of Scottish Ambulance Service as an organisation.

Going concern considerations

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements, confirming these are appropriate through our substantive testing.

Internal control environment

Throughout our audit planning and fieldwork we will continue to develop our understanding of the overall control environment (design) as related to the financial statements. In particular we will:

- Consider procedures and controls around related parties, journal entries and other key entity level controls.
- Perform procedures around IT general controls.
- Consideration of service auditors reports for key financial processes including payroll
- Perform walkthrough procedures on key controls around identified risk areas including expenditure and journal entries and material areas of management estimate and judgement.

Working with Internal Audit

We will aim to not duplicate the work of your internal auditors. We will consider the internal audit plan for 2018/19 and identify any particular areas of risks that we either need to reflect in our approach or are relevant to our wider scope audit work. We will continue to consider the work of internal audit throughout the year and maintain an ongoing, open, dialogue with internal audit.

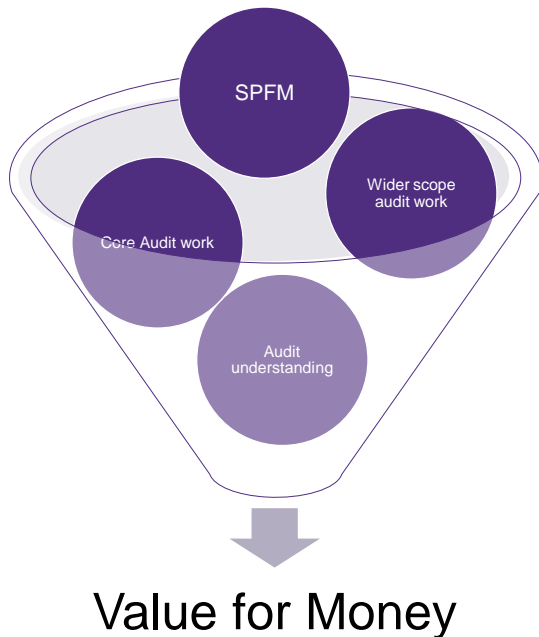
Wider scope audit

Our responsibilities under Audit Scotland's Code of Audit Practice extend beyond the audit of the financial statements.

The Code sets out four dimensions that frame wider scope audit work into identifiable areas. Alongside Value for Money, the audit dimensions set a common framework for our audit work and we review and conclude on the four dimensions and that there are organisational arrangements in place to secure Value for Money.



Wider scope approach



Our wider scope audit work is a **risk based** approach. It is built upon our understanding of the organisation and consideration of:

- Four audit dimensions defined within the Audit Scotland Code of Audit Practice
- Scottish Public finance Manual (SPFM) nine characteristics of Value for Money
- Our core audit work and audit knowledge

We consider each of these areas through our audit planning process.

Audit Scotland Audit Planning guidance

Audit Scotland Audit Planning guidance outlines key areas for consideration. Relevant to the SAS we will consider the following:

- EU Withdrawal,
- changing landscape for public financial management,
- dependency on key suppliers and
- openness and transparency.

Details included in [appendix 6](#). We consider these areas during our audit planning and throughout our wider scope audit work.

Financial sustainability

Financial sustainability

Like other health boards, Scottish Ambulance Service faces financial challenges. Management have identified that for 2018/19, the Board requires savings of £9.4 million to meet its financial targets. By 2022/23, Management forecast that recurring savings are required of £27.299 million to continue to operate a financially sustainable way. This represents a significant challenge for the Board and will likely require fundamental changes to how the Board operates to deliver this level of savings. As a key cost base, a key aspect will be maximising the use of workforce. To operate efficient and effectively the Board will need to ensure workforce planning is robust.

To support the identification and delivery of required savings, the Board has endorsed a new efficiency savings approach overseen by the Best Value Group chaired by the Director of Finance and Logistics. There is a risk that the group's unable to identify or deliver the significant levels of savings required in a sustainable way.

Our response

We will consider the work undertaken by the Best Value Group and savings identified. We will review the financial plans in place, including the scenarios set out, the governance of the plans and regular reporting on future financial scenarios. We will consider workforce planning arrangements that support the service delivery model and how these are aligned with financial plans. We will assess the progress made by the Board in developing financially sustainable operating plans that continue to support the delivery of the Board's statutory functions and strategic objectives.

Financial management

Financial management

Scottish Ambulance Service has well established financial management arrangements. Financial performance information is reported regularly to the Board and provides concise information on the Board's performance and key areas of risk.

During 2017/18 there were changes to key personnel across the finance function including the Director of Finance and Logistics leaving the organisation as well as the Head of Finance. During 2018/19 arrangements have been established across the senior finance team, including position of director of finance on an interim position.

While we have not identified any significant risks in relation to financial management, we will review the Board's financial management arrangements including the extent to which there is effective scrutiny over both operational spend as well as delivery of savings plans. Our work will consider the extent to which the performance impact of in year savings is monitored as well as the sustainability of such plans.

Governance and transparency

We have not identified any significant risks through our audit planning process. There appears to be commitment from both non-executive and executive members to delivery of the Board's strategy, *Towards 2020: Taking Care to the patient*. This goals flow through corporate documentation and decision papers for management and the Board.

Effective risk management arrangements are in place at the Board and we have not identified any significant concerns around systems of internal control and governance through our audit planning or through prior period audit work.

We will continue to consider through discussions with management and review of minutes Scottish Ambulance Service's overarching governance arrangements and how Scottish Ambulance Service ensure that they are transparent and open to Scottish Ambulance Service's stakeholders including members of the public.

Value for money

Effective decision making

Given the financial and operational pressures facing the Board, the efficient and effective use of resources is critical. In particular, ensuring there is effective performance management arrangements in place is critical to ensure a quality of patient care.

Managing these pressures can divert focus and resources on strategic use of resources and longer term financial planning. With emphasis on short term deliverables, decisions may fail to consider longer term implications and value to the organisation.

Given the nature of Scottish Ambulance Services operations, the quality of service performance is critical. Performance information focuses on both service delivery and patient care. Ensuring there is clear, timely and transparent reporting and monitoring of performance is essential to ensure resources are prioritised appropriately.

Our response

As part of our overall rolling review of Scottish Ambulance Service's wider scope areas, we will consider the Board's performance management framework and how they capture and measure performance and outcomes. In particular, we will consider the content of performance reports presented to Board and committees and how this is aligned to the Board's strategic objectives and the timeliness of the information presented. Further, we will consider the extent to which there is a clear evidence trail demonstrating challenge of key decisions taken.

Our planned work, like our financial statements work, is risk based and proportionate. We will continue to develop our understanding over the four dimensions and conclude on these in our final report, based on the work we have undertaken during the year.

Appendices

Key audit deliverables and our team

Fees and independence

Fraud arrangements

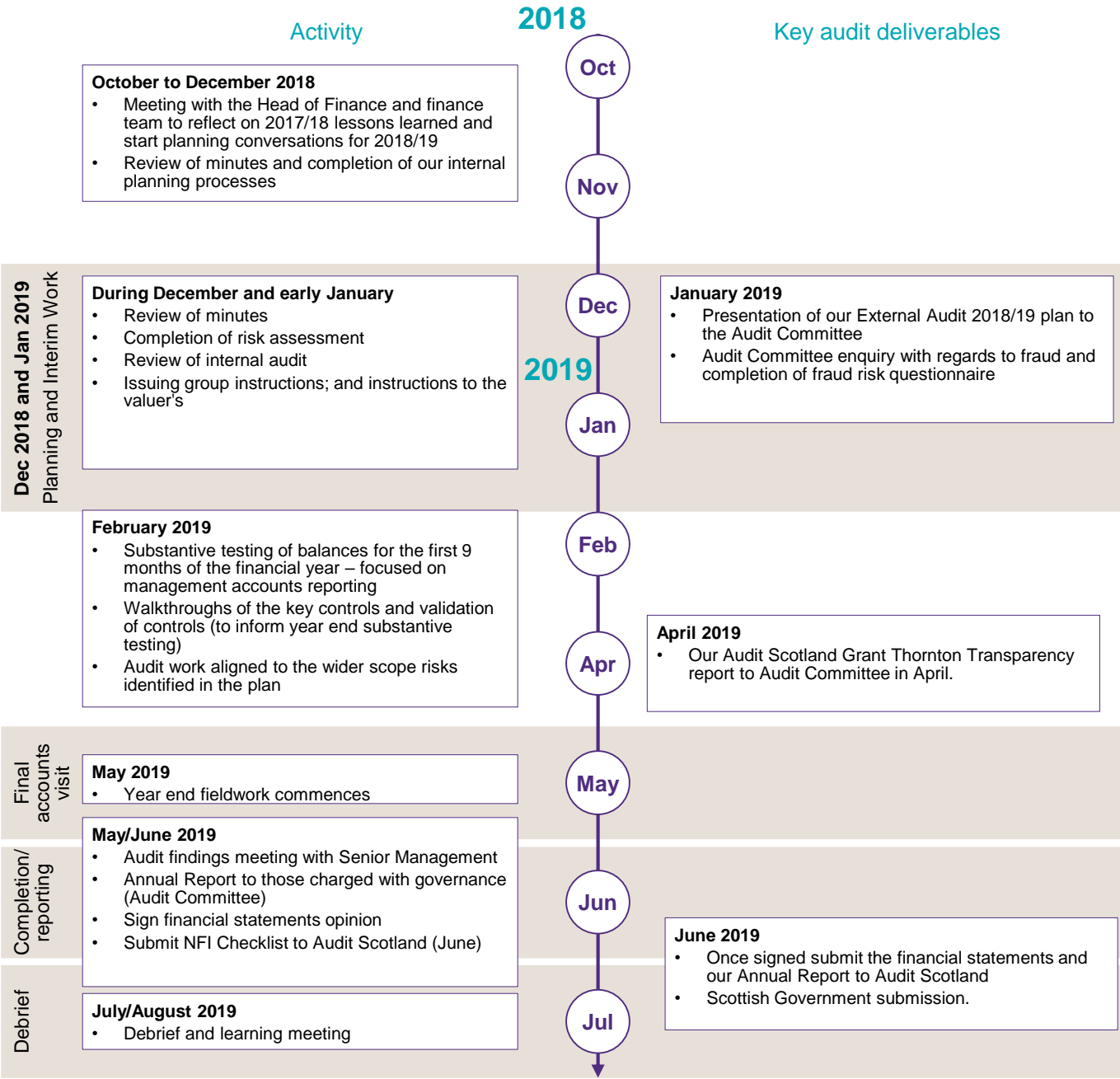
Respective responsibilities

Technical updates

**Specific considerations as set out in the Audit Scotland
planning guidance**

**Communication of audit matters with those charged with
governance**

Key audit deliverables and our team



Our team

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Fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	64,210
Pooled Costs	7,510
Contribution to Audit Scotland costs	3,860
Contribution to Performance Audit and Best Value	-
2018-19 Fee	75,580

Fees for other services

Service	Fees £
At planning stage we confirm there are no non-audit fees	Nil

The audit fee is calculated in accordance with guidance issued by Audit Scotland. In accordance with the Audit Scotland guidance we can increase the fee by up to 10% from the base fee set by Audit Scotland, depending on risk factors identified by us as your external auditors. We cannot reduce the fee from the baseline set out by Audit Scotland. The above proposed fee, set at the base fee, has been agreed with management. The fee is based on the following assumptions:

- supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- the scope of the audit, and Scottish Ambulance Service activities will not change significantly from planned
- Scottish Ambulance Service will make available management and accounting staff to help us locate information and to provide explanations. We reserve the right to charge an additional fee for any additional work.
- We will only receive (and audit) 3 sets of accounts (1st draft; amended draft and final)
- Specific balances such as valuations of assets are supported by an independent specialist

Client service

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

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Annual Report to those charged with governance at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.

We can confirm no independence concerns have been identified.

Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Scottish Ambulance Service.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relations to management override of controls.
- Leading a discussion with those charged of governance (for Scottish Ambulance Service this is assumed to be the Audit Committee) on their view of fraud. Typically we do this when presenting our audit plan and in the form of management and those charged with governance questionnaires.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

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

It is Scottish Ambulance Service responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we work with Scottish Ambulance Service to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

In addition, as set out in the Audit Scotland Code of Audit Practice we have a role in reviewing Scottish Ambulance Service arrangements in response to the national fraud initiative exercise.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Scottish Ambulance Service we will report to the Auditor General as required by Audit Scotland.

Respective responsibilities

As set out in the Code of Audit Practice there are a number of key responsibilities you as an organisation are responsible for, and others, as appointed auditors we are responsible for. These are summarised below:

Area	Scottish Ambulance Service Responsibilities
Corporate governance	<ul style="list-style-type: none"> Establishing arrangements for proper conduct of its affairs Legality of activities and transactions Monitoring adequacy and effectiveness of arrangements (inc role of those charged with governance)
Financial statements	<ul style="list-style-type: none"> Preparing financial statements which give a true and fair view of their financial position Maintaining accounting records and working papers Putting in place systems of Internal Control Maintaining proper accounting records Preparing and publishing an annual governance statement, management commentary and remuneration report Effective systems of internal control as well as financial, operational and compliance controls – supporting achievement of objectives and secure value for money
Financial position	<ul style="list-style-type: none"> Proper arrangements to ensure financial position is soundly based and responsibility to ensure arrangements secure Value for Money
Fraud and error	<ul style="list-style-type: none"> Establishing appropriate arrangements for prevention and detection of fraud, error, irregularities, bribery and corruption and affairs are properly managed

Our responsibilities



- Undertake statutory duties and comply with professional engagement and ethical standards
- Provide an opinion on financial statements and where appropriate regularity of transactions
- Review and report on, as appropriate, other information eg annual governance statements, management commentary, remuneration reports
- Notify the Auditor General when circumstances indicate a statutory report may be required
- Demonstrate compliance with wider public audit scope

How do we do this in practice



- By reviewing and providing judgements and conclusions on Scottish Ambulance Service arrangements including those across the wider scope of audit dimensions.
- Suitability and effectiveness of corporate governance arrangements in year
- Financial position and arrangements for ensuring financial sustainability in the medium to longer term
- Review of other information in line with our knowledge and understanding of Scottish Ambulance Service
- Ongoing dialogue and engagement with Audit Scotland during the year

Weaknesses and risks identified by us as your auditors are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist. Communication by us of matters arising from the audit of the financial statements 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.

Technical updates

For 2018/19, new accounting standards (International Financial Reporting Standards (IFRS)), will apply covering revenue (IFRS 15) and financial instruments (IFRS 9).

IFRS 9: Financial Instruments

The introduction of IFRS 9 produces a more principles based approach to the accounting of financial instruments, including their classification and measurement. The main features of the new standard are summarised in the table.

IFRS 9	Impact
Criteria for classification of financial assets	IFRS 9 applies a single classification and measurement approach to all types of financial assets based on: <ul style="list-style-type: none"> - The body's business model for managing financial assets; - The contractual cash flow characteristics of the financial asset. This represent a departure from IAS 39's reliance on the terms of an instrument (traded or not).
Measurement categories for financial assets	The new measurement categories for financial assets are as follows: <ul style="list-style-type: none"> - Financial assets measured at amortised cost - Financial assets measured at fair value through other comprehensive income - Financial assets measured at fair vale through profit or loss
Impairment	IFRS 9 contains a forward looking expected loss impairment model and requires the same measurement basis for impairment for all items subject to its impairment requirements. The NHS Manual for Accounts requires the simplified approach allowed under IFRS 9, which removes the need for an entity to consider whether the credit quality of trade receivables, contract assets and lease receivables has deteriorated since initial recognition.

Implementation: IFRS 9 has a mandatory effective date for annual periods beginning on or after 1 January 2018. Under the NHS Manual for Accounts on transition there will be no restatement of comparatives, and any impact of transition will be recognised as a reserves movement in 2018/19.

IMPACT

The key practical change in IFRS 9 for most public bodies is the introduction of a new approach to recognising impairments of debtors and other financial instruments.



ACTION

The Board should undertake an assessment of the potential impact IFRS 9 has on financial instruments held to ensure it has sufficient information to ensure compliance with the standard for the year end accounts.

Technical updates

IFRS 15: Revenue from Contracts with Customers

The core principle of IFRS 15 is that a body should recognise revenue for the transfer of goods or services to customers at an amount that reflects the expected price. A body recognises revenue in accordance with that core principle by applying the following five steps:

1. Identify the contract(s) with a customer. The NHS Manual for Accounts and in accordance with the FReM has extended the definition of a contract to include legislation which enables a body to obtain revenue that is not classified as taxation.
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Implementation: IFRS 15 has a mandatory effective date for annual periods beginning on or after 1 January 2018. Under the NHS Manual for Accounts, on transition there will be no restatement of comparatives, and any impact of transition will be recognised as a reserves movement in 2018/19.

The impact of the introduction of IFRS 15 will vary across organisations.

The NHS Manual for Accounts interpretation removes the policy choice to retrospectively restate in accordance with IAS 8. On transition, entities will recognise the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application.

IMPACT

The impact of the introduction of IFRS 15 will vary across organisations. For the Board, careful consideration will need to be given to any contractual arrangement and the potential performance obligations contained within these.

ACTION

The Board should undertake an assessment of the potential impact IFRS 15 across its material revenue streams to ensure it has sufficient information to allow with the standard. Early evaluation is advised as this may impact on final outturn reported in the financial statements. and budgetary implications.

Audit action

We will continue to work with management to understand the impact of the introduction of IFRS 9 and IFRS 15 on the entity's financial statements and any potential changes in accounting policy that arise from these. We do not anticipate that IFRS 9 will have a material impact on the entity's financial statements. However, further assessment is required around the impact of IFRS 15, particularly over contract arrangements. We will provide an early review of the proposed year end accounting treatment, providing relevant technical insight and challenge to provide assurance that the year end financial statements have been prepared in accordance with the NHS Manual for Accounts and applicable accounting standards.

Specific considerations as set out in the Audit Scotland planning guidance

In accordance with the Audit Scotland Planning Guidance, we consider the following areas of focus as part of our audit work:



There are uncertainties surrounding the terms of the UK's withdrawal from the European Union in March 2019 and these are subject to ongoing negotiation between the UK government and EU. Whatever the outcome of these negotiations there is inevitably implications for devolved government in Scotland and for Scottish Ambulance Service.

Planning consideration

There is considerable uncertainty around the potential impact of Brexit. Likely areas to impact the Board are: workforce implications; funding; and regulation. We will consider the work done by the Scottish Ambulance Service with regards assessing the potential risks faced and readiness for EU withdrawal.



Recognising the changing landscape of Scottish public finances, including significant tax –raising powers as well responsibility for 11 social security benefits provides the Scottish Parliament with more policy choices. Subsequently, there is potentially greater volatility and complexity around Scottish budget and greater focus on the use of Scottish funds. This is likely to increase the scrutiny of public sector annual accounts and audit reports.

Planning consideration

The focus on public entities performance reporting will be under increasing security, including that of the Board and how public funds are used. As part of our audit we will consider the extent to which the performance report provides an accessible account of the Scottish Ambulance Service's overall performance and impact of its public spending and transparency of reporting.



The collapse of Carillion and the subsequent impact across the public sector, has brought into focus the risk of key supplier failure and underperformance. We will consider the arrangements in place for identifying key supplier and risks, if any associated with these and how effectively these are being managed.

Planning consideration

We consider the risk to the Board and the arrangements in place with regards key supplier dependencies during our audit.



There is an increased focus on how public money is used and what is achieved. This includes the extent to which the Scottish Ambulance Service keeps pace with public expectations and good practices in this area. Including: increased public availability of papers, insight into why any business is conducted in private and development of the form and content of annual reporting.

Planning consideration

We will consider Audit Scotland's guidance around openness and transparency as we consider the Board's governance arrangements during 2018/19.

Communication of audit matters with those charged with governance

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

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while our Annual Report to those Charged with Governance will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to Scottish Ambulance Service Management and the Audit Committee.

