



Scottish Ambulance Service

External Audit Plan for the financial year ending 31 March 2020

Final Audit Plan to the Audit Committee

28 January 2020

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Our audit at a glance



Planning materiality for the Group is set at **£5.9 million** (Board only: £5.89 million), being approximately 2% of gross expenditure based on 2019/20 budget. We have a single materiality as we do not consider the Endowment fund to be a significant component of the group but will revisit this when draft financial statements are available. 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. We will revisit our materiality throughout our audit including updating to reflect the unaudited financial statements.



In the context of significant financial pressures, service delivery and performance will come under increasing pressure. We will review the progress made in the identification and delivery of efficiency savings through the Best Value Programme. We will assess the extent to which the work done underpins the medium to longer term financial plans and progress made by SAS in addressing the forecast budget gap while maintaining focus on performance and delivery of strategic priorities. We will assess the progress made by SAS in addressing challenges in relation to workforce planning and management, including absence management, and how these are aligned to SAS's financial plans.



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.



Significant audit risks are: management override of controls and the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10.

An audit
underpinned by
quality and adding
value to you



Scottish Ambulance Service (SAS) face financial challenges to meet financial resource limits in 2019/20 as well as deliver a financially sustainable operating model over the medium term. SAS's Best Value Programme Board oversees the identification and delivery of the Best Value Programme, aimed at delivering efficiency savings without adversely impacting on service delivery. As SAS enters the final year of its five year Strategy, it is important that the new strategy is underpinned by a robust, sustainable finance strategy.



Our audit is undertaken in accordance with the Audit Scotland Code of Audit Practice and reflects the wider scope nature of public audit.

Through our audit planning we have identified wider scope risks reflecting the board's **financial sustainability** and **value for money** arrangements. Throughout our planning and audit work we re-review wider scope risks and will update these where necessary during the year.

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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

External Audit plan

The External Audit Plan summarises our responsibilities in accordance with ISAs and the Code:

- Respective responsibilities;
- Our audit process and timeline
- Materiality
- Our risk based audit approach to the audit of the financial statement
- Our wider scope responsibilities including those in relation to the four wider audit dimensions prescribed in the code: Financial management; financial sustainability; governance and transparency; and, value for money.

Continuous improvement and adding value

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

Continuous learning and development: We have discussed with Management opportunities to develop our audit approach to ensure we deliver an efficient and effective audit approach. We will agree with the finance team a detailed audit deliverables list of required documentation to support the audit.

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.

Constructive challenge and feedback: We aim to provide constructive challenge by identifying areas of improvement and by recommending and encouraging good practice.

Audit appointment

The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, and reporting on their financial health and performance.

Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.

The Auditor General has appointed Grant Thornton UK LLP as external auditor of SAS for the five year period 2016/17 to 2020/21.

Our team

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The audit will be supported by a team of qualified and part qualified accountants from our public sector audit team. Where required we will use other audit experts, including Public Sector technical accounting team to support our audit.

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's (SAS) 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 and 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 ISA compliant opinion on financial statements
- 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 in accordance with Audit Scotland's Code of Audit Practice and applicable guidance
- Contributing to Audit Scotland Performance Reports
- Providing regular updates to Audit Scotland to share awareness of current issues across our audit clients
- Notify Audit Scotland of any cases of money laundering or fraud
- Contribute to Audit Scotland technical guidance
- Contribute to Audit Scotland Impact Reports

How do we do this in practice

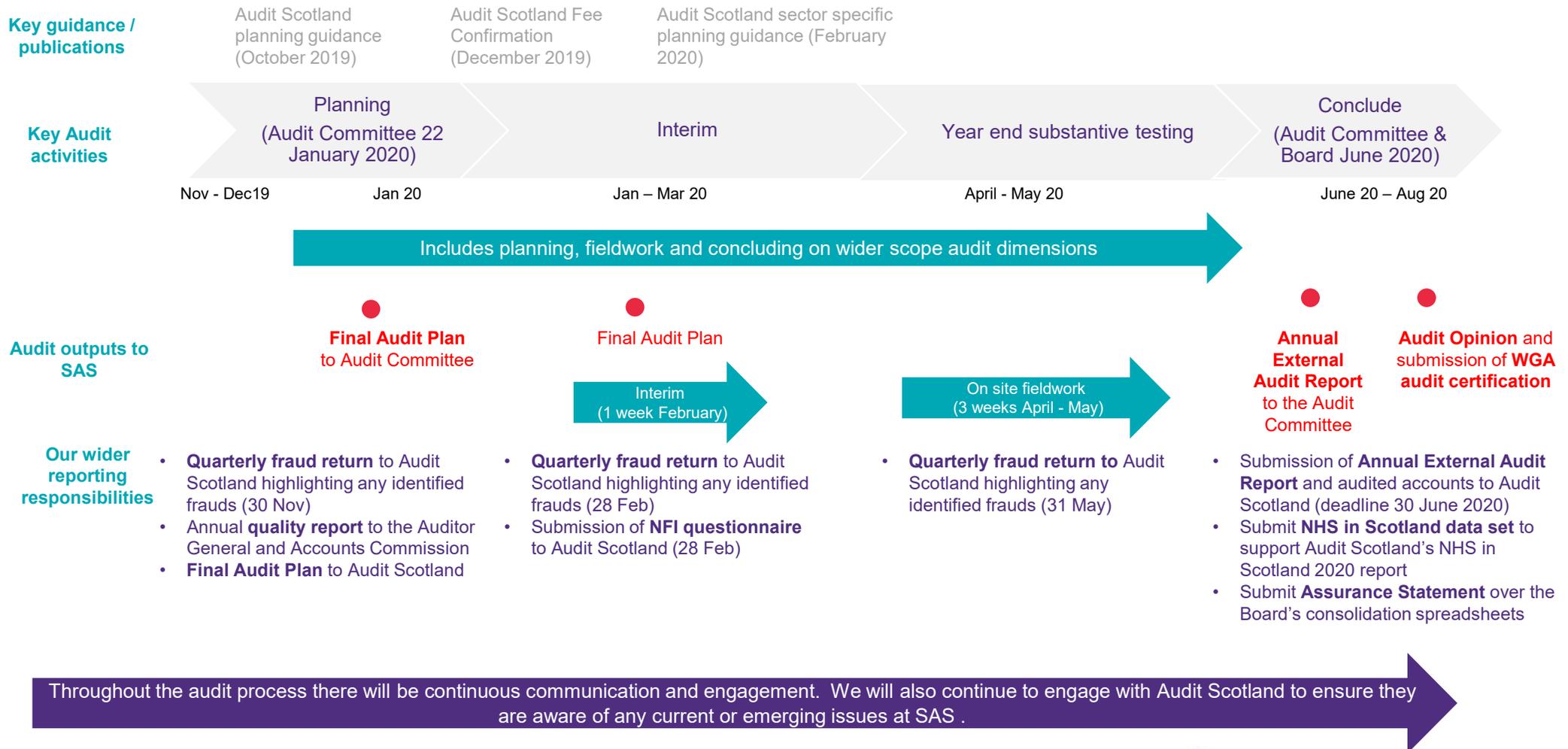


- By reviewing and providing judgements and conclusions on SAS's arrangements including those across the wider scope of audit dimensions.
- Suitability and effectiveness of corporate governance arrangements in year
- Financial position and arrangements for ensuring financial sustainability in the medium to longer term
- Review of other information in line with our knowledge and understanding of SAS
- Ongoing dialogue and engagement with Audit Scotland during the year
- Providing quarterly fraud updates to Audit Scotland and information on any money laundering
- Providing relevant data to Audit Scotland relating to SAS to contribute to shared risk assessment and national performance reports, including NHS in Scotland 2020 report.
- Support Audit Scotland through engaging in technical guidance publications

Audit process and timeline

Our planned audit timeline is detailed below. In accordance with the Code of Audit Practice and audit Scotland Planning Guidance, we are required to undertake and report on a range of areas. The diagram below summarises our planned audit timetable for 2019/20, and output both to SAS and Audit Scotland.

Our audit timetable assumes receipt of a complete set of draft financial statements and supporting documentation as outlined within our audit deliverables list in advance of our year end audit work. The timetable, and our proposed audit fee, assumes minimal amendments being required to the financial statements through the course of our audit.



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 (Group and Board):

- give a true and fair view
- have been properly prepared in accordance with relevant legislation and standards
- 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
- audited parts of the remuneration and staff report have been prepared in accordance with the guidance

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 planning materiality for the Group to be **£5.9 million** (Board only: £5.89 million), which equates to approximately **2%** of your budgeted total operating expenditure (assuming delivery of efficiency savings) for the year. For audit planning purposes we do not consider the Endowment Fund to be a significant component of the SAS group and therefore use a single materiality for planning. We will review this upon receipt of the draft financial statements.

Performance materiality

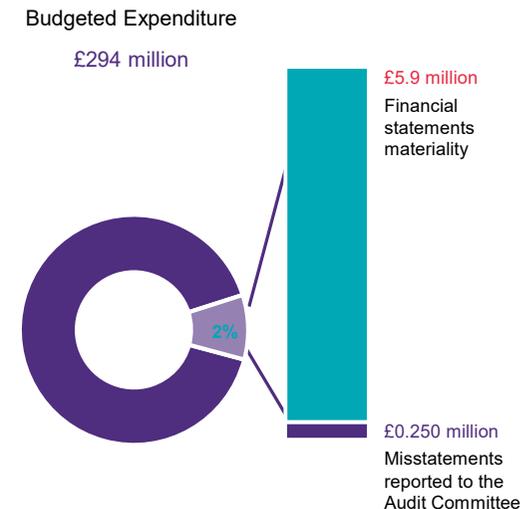
Performance materiality represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. Based on our audit experience we have retained this for 2019/20 at **75%**, being **£4.425 million** for the Group (Board only £4.41). Performance materiality determines those accounts which testing will be undertaken on and the level of sample testing performed where applicable. 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.

Our materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We will apply a lower materiality threshold on review of the Remuneration and Staff report to ensure that remuneration has been disclosed within appropriate bandings (being **£2,500**).

We will update our materiality based on the unaudited 2019/20 financial statements. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.

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** being the maximum threshold prescribed by Audit Scotland.



A risk based audit methodology

A core part of audit planning is understanding SAS and the wider public sector. This is our fourth year as the external auditors of SAS appointed under the Audit Scotland framework. Through our audit planning procedures we consider a range of factors to assess the risk of material misstatement to the financial statements. 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. Our risk assessment includes the following;

Consideration of critical accounting estimates including accrued income or expenditure at the balance sheet date and provisions	Assessment of inherent risk factors including changes in the organisation's activities and environment	Understanding of entity level controls and the control environment, including IT controls and associated assurances through service auditor reports	Financial and operational performance during the year, including pressures in delivering outcomes while operating within available financial resources.
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Identified Significant risks

- Risk of fraud in expenditure recognition
- Management override of controls

We continue to assess the risk of material misstatement and our response to these risks throughout our audit. Within our Annual Audit Report we will report to you the conclusions from our audit procedures over these risks, including any further risks identified or changes to our planned audit response.

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Risk of fraud in Expenditure recognition	Other Expenditure (at the year end) (Completeness) Payables (Completeness)	Operating expenditure is misstated 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. In 2018/19, SAS reported gross expenditure of £276 million. Of this, £205 million related to staff costs. With staff costs being relatively well forecast over the financial year and agreeable to underlying payroll systems, we do not consider there to be a significant risk of material misstatement over this expenditure stream. Similarly, we do not consider medical costs of being at significant risk of material misstatement as it is not a material expenditure stream. SAS's other expenditure covers a range of areas including vehicle running costs and other health care expenditure. For these expenditure streams, in accordance with Practice note 10 (revised) we consider there to be an inherently higher risk of material misstatement through both opportunity and incentive to manipulate in order to deliver financial results in line with Scottish Government resource limits. We therefore have a significant risk over expenditure recognition over other operating expenditure . Management currently face significant financial challenges in meeting financial targets for the current year, incentivising understatement of expenditure. However, given financial pressures in future years, there may be an incentive to overstate expenditure (particularly around the year end when financial outturn more certain) in order to reduce financial pressure in 2020/21.

Audit Response

In advance of our year end testing we will review the financial performance during they year to determine if there is any indication of the focus of our audit risk and whether there is greater incentive of understatement or overstatement of expenditure.

- Walkthroughs of the controls and procedures over **other operating expenditure streams** with particular focus around the year end.
- Perform substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement
- Perform substantive testing (at an elevated risk level) of expenditure in the final two months of the year to identify if this has been potentially overstated
- Reviewing accruals, deferred income and provisions, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimate

As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In 2018/19, SAS received core revenue resource limit funding of £252 million. As this is agreed to Scottish Government funding confirmation and bank receipts, we do not consider there to be a significant risk of material misstatement. In addition, SAS's operating income was £10 million, primarily relating to balances from other NHS Scotland health boards. As this income is agreed to independent confirmations from the other boards and that it is unlikely the balance would be materiality misstated, we do not consider there to be a material misstatement over operating income. We therefore rebut the presumed risk around material misstatement of revenue.

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Management override of controls	Journals Accounting Estimates	<p>As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override SAS's controls for specific transactions.</p> <p>We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement including accrued expenditure and provisions.</p>
Audit Response		

Accounting estimates:

In assessing the risk of management override, consider those key accounting estimates and judgements that could impact on the organisations financial results and where there is an inherently increased risk of fraudulent misstatement or where management bias could result in a material misstatement. For SAS this primarily relates to accrued income or expenditure and provisions. Where material, we will review these areas of estimation to ensure reasonable and agreed to supporting documentation to address the risk of fraudulent misstatement.

Journals testing:

We will evaluate journal transactions during the year. In response to the significant risk we will:

- Assess the design of controls in place over journal entries, including how these are prepared, authorised and processed onto the financial ledger;
- Will risk assess the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We will test these journals to ensure they are appropriate and that suitably recorded in the financial ledger;
- We will perform targeted testing of transactions around the financial year end reviewing those journals are large or otherwise appear unusual to understand the rationale for the transaction.

Other audit areas

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, alongside our assessment based on substantive testing and audit procedures.

Working with Internal Audit

The Auditing Standards Board’s version of ISA (UK) 610 “Using the work of internal auditors” prohibits the use of internal audit to provide “direct assistance” to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

During 2019/20, we engage with Internal Audit to confirm any awareness of fraud or suspected fraud. Where Internal Audit have identified specific material deficiencies in the control environment that would create a risk of material misstatement to the financial statements, we will consider adjusting our testing so that the audit risk is covered by our work.

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 walkthrough procedures on key controls around identified risk areas including Scottish Government income, Income from other NHS Boards, other operating income, payroll expenditure, other operating expenditure, journal entries and material areas of management estimate and judgement including year end accruals and provisions.

International Financial Reporting Standards 16: Leases (IFRS 16)

IFRS 16 was effective for accounting periods beginning on or after 1 January 2019 and is due to be adopted for bodies reporting under the FReM for financial years beginning on or after 1 January 2020. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous standard IAS 17. IFRS 16 introduces a single lessee accounting model aimed at providing a fairer representation of a lessee’s assets and liabilities and disclosures around these. Under IFRS 16, the lessees’ recognises assets and liabilities with a term of more than 12 months, unless the underlying asset is of low value. In practice, this is likely to result in lease or lease type arrangements associated assets and liabilities being recognised in the financial statements of the lessee, where these may have previously been treated as operating leases where there was no asset or liability recognised and only an annual lease charge through expenditure.

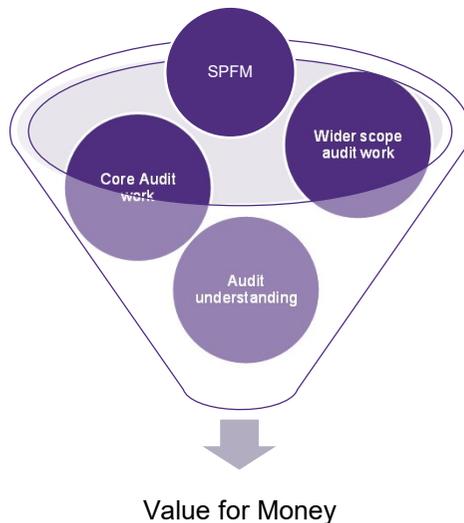
During 2019/20 we will review the progress made by SAS in evaluating the potential implications on adoption of the new accounting standard. This will be reflected in the 2020/21 financial statements.

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:

- Scottish Public Finance Manual (SPFM) nine characteristics of Value for Money
- Our core audit work and audit knowledge
- Audit Scotland planning guidance

We consider each of these areas through our audit planning process. We summarise our planning consideration over the wider scope areas below, including where we have identified a significant wider scope risk, our planned audit response. We have also identified areas that we will continue to consider throughout our audit to allow us to conclude on the wider scope areas in our Annual Audit Report.

Wider scope audit dimensions

Financial sustainability

Scottish Ambulance Service's medium term Financial Plan 2019-22 is set in a context of rising pay and non-pay cost pressures which won't be offset through increased resources funding. To achieve financial balance, Management has identified the need to deliver significant efficiency savings over the next three years. By 2021/22, £30.6 million of savings will need to be delivered on a recurring basis.

SAS's Best Value Programme Board oversees the identification and delivery of the Best Value Programme, aimed at delivering a financially sustainable operating model to support the delivery of the organisation's strategic priorities. A key challenge for SAS is the delivery of the required level of savings while continuing to ensure focus on short and medium term performance.

Significant wider scope risk identified: SAS faces significant financial challenges over the next three years. While we recognise the work underway in identifying efficiencies through the Best Value Programme, a key challenge will be both the delivery of these savings as well as identifying the additional levels of savings required to meet financial pressures. 2019/20 represents the final year of the organisations strategic plan. With the ongoing development of a new strategy, it is important that this is underpinned with a robust and deliverable financial plan.

Audit
response

Response to wider scope significant risk

We will the progress made in the identification and delivery of efficiency savings through the Best Value Programme. We will assess the extent to which the work done underpins the medium to longer term financial plans and progress made by SAS in addressing the forecast budget gap while maintaining focus on performance and delivery of strategic priorities. In particular we will focus on how the organisation is looking to address challenges in relation to workforce planning and management, including absence management, and how these are aligned to SAS's financial plans.

Other wider scope procedures

In relation to broader financial sustainability we will continue to develop our understanding of the Boards financial planning arrangements including workforce plans and how these developed both supporting and recognising the financial and operational challenges facing SAS.

Wider scope audit dimensions

Financial management

During 2018/19 SAS reported a small surplus against Scottish Government revenue resource limit of £58,000. The outturn position was achieved through the delivery of £9.9 million of savings including £5.2 million of service delivered saving. SAS also manages vacancy levels during the year as well as planned project slippage for strategic initiatives to support the financial outturn for the year. However, these are predominately non-recurring and the board recognise the need to continue to focus on sustainable, recurring funding.

Based on cumulative audit knowledge, we have no underlying concerns around SAS's financial management arrangements. Financial performance is monitored throughout the year by Management and the Board and we found the reports to be clear and concise around SAS's underlying financial position.

During 2019, SAS made progress in further establishing its finance function. In June 2019 the Board made a permanent appointment of a Director of Finance and Logistics (previously on an interim basis). In addition, the Scottish Ambulance Service appointed a new Head of Finance. These appointments should enhance the capacity and capability of the finance function.

Audit
response

While we have not identified any significant wider scope risks in relation to financial management, we will continue to review SAS's financial management arrangements including the extent to which there is effective scrutiny over financial performance. We will assess the extent to which SAS is reliant on non-recurring savings / funding to deliver against financial targets in 2019/20 and that this is factored into financial pressures in medium term financial plans.

Governance and transparency

SAS has a relatively stable governance structure with the committee structure being in place for a number of years. During 2018/19 the Board completed a self-assessment against the Scottish Government's Blueprint for Good Governance, evaluating the board against the five functions of good governance: setting the direction; holding to account; assessing and assuring risk; engaging stakeholder; and, influencing culture. The assessment identified areas where SAS's governance arrangements could be enhanced including risk management, stakeholder engagement and influencing culture. An action plan was developed to implement recommended improvements to overall governance arrangements. While recognising opportunities to enhance governance arrangements at the board, through our cumulative audit knowledge and understanding of SAS's governance arrangements, we have not identified any significant wider scope risks.

Audit
response

We have not identified any specific wider scope audit risks in relation to SAS's governance arrangements. We will continue to assess the adequacy and effectiveness of governance arrangements in place at SAS. This will include consideration of the progress made by SAS in implementing the actions identified in response to the self-assessment against the Scottish Government blueprint and the extent to which these have embedded within the organisation.

Wider scope audit dimensions

Value for money

SAS continues to look to enhance performance reporting and monitoring arrangements. 2019/20 represents the final year of the SAS strategy - *Towards 2020: Taking Care to the patient*, and the board is developing its new strategy, defining SAS's strategic priorities and goals. In the context of significant financial pressures, service delivery and performance will come under increasing pressure. It is important that the strategy focuses on how SAS will look to maximise its use of resources while delivery positive outcomes for patients.

SAS has recently implemented a new suite of performance reports for both Management and the Board, providing graphical presentation of performance with the aim of enhancing transparency of performance and allowing focus on key areas of development. These incorporate the Scottish Government's HEAT (Health improvement, Efficiency, Access to treatment and Treatment) targets as well as local performance targets.

Significant wider scope risk identified: SAS continues to face challenges in meeting performance targets. During 2018/19 the Board reported that against the 10 HEAT targets, three were behind target. These were across response times and sickness absence levels. SAS has implemented a new response model that focuses on improving patient outcomes, rather than simply a measure of response times. This has impacted on performance outcomes. Management forecast that £6 million of strategic investment funds will be used over the next two years to support operational pressures rather than funding initiatives to support the delivery of SAS's longer term strategic priorities. While we recognise that frontline service delivery is the priority for the Scottish Ambulance Service, it is important that there is continued focus on long term strategic priorities to support medium to long term performance improvement. It is important, particularly as SAS sets its new strategy, that it has a focus on delivery of performance outcomes, ensuring efficient and effective use of resources and targeting areas of underperformance.

Audit
response

Response to wider scope significant risk: We will assess the extent to which SAS's performance management arrangements ensure focus on key performance challenges, supporting the focus of resources on addressing areas of underperformance. We will consider how performance management arrangements are refined to reflect the emerging strategy to support the organisation demonstrate delivery of strategic objectives.

Other wider scope procedures

To support our wider scope audit, we will consider how SAS focus on delivery of strategic outcomes. In the final year of the board's strategy, *Towards 2020: Taking Care to the patient*, we will consider the extent to which SAS can demonstrate the delivery of strategic outcomes, demonstrating the efficient and effective use of resources.

Audit deliverables

As set out in the Code of Audit Practice, as appointed auditors we have a number of wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work during our 2019/20 audit, including expected reporting under Audit Scotland's Code of Audit Practice and audit planning guidance (2018/19 Guidance on Planning the Audit)

Requirement	How we will report our findings
<p>Annual accounts Perform an audit of the annual accounts and express and express specified audit opinion on them.</p>	<ul style="list-style-type: none"> External audit plan External auditor's opinion on the financial statements Annual external audit report findings from our audit work of the financial statements
<p>Wider scope audit dimensions Conclude and report on our assessment of the wider scope audit dimensions</p>	<ul style="list-style-type: none"> Annual external audit report (audit findings report)
<p>Intelligence sharing Share intelligence with health and social care national agencies</p>	<ul style="list-style-type: none"> Intelligence returns to Audit Scotland sharing our knowledge and understanding of the Board to support shared intelligence gathering across health and social care national agencies
<p>Emerging issues Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports</p>	<ul style="list-style-type: none"> Communicating throughout our audit emerging issues throughout the year as well as providing information to Audit Scotland on
<p>Correspondence queries Carry out preliminary enquiries into any correspondence relevant to the Board that is referred to Audit Scotland.</p>	<ul style="list-style-type: none"> Providing responses to any correspondence received based on our audit knowledge and understanding and the results of any review as agreed with Audit Scotland
<p>Money laundering and fraud Provide information on cases of money laundering or fraud</p>	<ul style="list-style-type: none"> Reporting cases to the National Crime Agency of an instances of money laundering at the Board and identified frauds to Audit Scotland
<p>Technical guidance Contribute to Technical Guidance Notes</p>	<ul style="list-style-type: none"> Providing responses to Audit Scotland consultations on draft Technical Guidance notes for Auditors.
<p>Performance and NHS overview reports Contribute to performance audits (including overview reports, performance audit reports, and impact reports)</p>	<ul style="list-style-type: none"> Submission of datasets to Audit Scotland of key financial and non-financial data of the body Providing Information returns to Audit Scotland
<p>National Fraud Initiative Evaluate the Boards participation in the National Fraud initiative</p>	<ul style="list-style-type: none"> Annual external audit report (audit findings report) Reporting participation to Audit Scotland including completion of NFI questionnaire
<p>Procurement In accordance with Audit Scotland planning guidance, over the next two years auditors are required to review the entities procurement arrangements. In particular the risk of fraud or irregularity in procurement.</p>	<ul style="list-style-type: none"> We will report on our review of procurement arrangements in our 2020/21 annual external audit report.

Appendices

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Appendix 1: Fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	66,710
Pooled Costs	7,390
Contribution to Audit Scotland costs	3,730
Contribution to Performance Audit and Best Value	-
2019/20 Fee	76,830

Fees for other services

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

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- 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 Financial Reporting Council'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.

Audit Scotland sets an expected fee for each audit carried out under appointment which assumes that the body has well-functioning controls, an effective internal audit service, and an average risk profile.

Audit Scotland reviews the expected fee each year and adjusts it if necessary based on auditors' experience, new requirements, or significant changes to audited bodies. 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. For 2019/20 we have agreed an audit fee with SAS of £76,830, being the baseline fee. 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 the Boards' activities will not change significantly from planned
- SAS 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 where management utilise an external expert are supported through third party supporting confirmation, including Central Legal Office confirmations

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.

Appendix 2: 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.

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.

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's 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 SAS's 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.

Appendix 3: Service auditor reports

SAS utilise a number of shared IT systems, IT applications and processes with other Scottish health boards. Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements:

Shared service	Service assurance
<p>Primary care payments This arrangement covers payments made by NHS National Services Scotland (NSS) to primary care practitioners on behalf of health boards for general medical services, general dental services, general ophthalmic services and general pharmaceutical services.</p>	<p>NSS procures a service auditor report from KPMG which will be issued in May 2020 to the health boards concerned. The external auditor of the NSS (Audit Scotland) will review the work of the service auditor and report the results of the review to other health board external auditors.</p>
<p>National IT contract This contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.</p>	<p>NSS procures a service auditor report from KPMG which will be issued in May 2020 to the health boards concerned.</p>
<p>National Single Instance (NSI) eFinancials NHS Ayrshire & Arran host this eFinancials service 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 which will be issued in May 2020 to the health boards concerned.</p>

As part of our consideration of IT systems, applications and IT controls we will consider the service auditor reports and consider the impact on the board's control environment.

Appendix 4: Communication with those charged with governance

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 (SAS) Management and the Audit Committee.

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 SAS's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the entity or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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