



Scottish Ambulance Service

External Audit Report for the financial year ended 31 March 2020

External Audit Annual Report to the Board and the Auditor General for
Scotland

Board Meeting 24 June 2020

Joanne Brown
Engagement Leader

Lewis Wilson
Engagement Manager

Hannah McKellar
Audit In-Charge



Financial statements audit at a glance



We received a complete set of financial statements at the start of the audit process.

Good working papers were provided to support the audit process however the challenges posed by remote working as a result of Covid-19 led to some inefficiencies in the audit process and delays in relation to the deliverables timetable agreed at planning. We thank management for their continued support and assistance throughout the audit.



The Accountability Report is in line with our understanding of Scottish Ambulance Service and in particular the vision and strategic priorities. The Governance Statement, included within the Accountability Report, outlines the governance framework.

The Remuneration and Staff report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000, and directions thereunder. The disclosures in the Remuneration and Staff report are consistent with underlying payroll records.



We have fulfilled our responsibilities under International Standards on Auditing (IScottish Ambulance Service) (UK) and the Audit Scotland Code of Audit Practice throughout our work.

This final report to the Board and the Auditor General concludes our work.

An audit
underpinned by
quality and adding
value to you



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

Our opinion does however include an **emphasis of matter** paragraph in relation to the material valuation uncertainty which was identified by professional property, plant and equipment valuers.



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 additional significant audit risk was identified in relation to Covid-19 which caused significant disruption to all public sector entities in the later half of March 2020. This was reported to the Audit and Risk Committee in April 2020.



Materiality is set at £6.1 million, representing 2% of gross expenditure based on the 2019/20 unaudited financial statements. This is an increase from the £5.9 million outlined in our audit plan as our plan was calculated using 2019/20 budget information.

Wider Scope reporting at a glance



We have raised two recommendations this year. One outlines the continued importance of good financial management to deliver the 2020/21 financial budget. The second relates to the use of outdated journal templates.



The Scottish Ambulance Service met its key financial targets for 2019/20. This included a £69,000 surplus against revenue resource limits of £281.413 million. The surplus was achieved after total savings of £12.7 million delivered. However of these savings £5million relate to non-recurring savings and £4.1million of slippage incurred in the year meaning a total underlying deficit of £9.1m is to be carried forward into 2020/21.

Consideration of financial management, financial sustainability, governance and transparency and value for money



To ensure that resources are used efficiently, effectively and economically, the Executive Leadership team receive weekly updates on the Best Value Programme and the Audit and Risk Committee on a quarterly basis. In 2019/20, the Best Value Programme had in place 49 projects/workstreams, most of which were either fully or partially completed. The contribution from the programme in the financial year was £4.5m and comprised savings from abstractions, sickness absence, shift over-runs, fuel initiatives and insurance.



Scottish Ambulance Service has continued to monitor the action plan implemented as a result of their self-assessment against the NHS Scotland's Blueprint for Good Governance in the prior year. As at January 2020, 5 of the 20 actions had been completed and the rest classed as no risks identified to completion by the target date. It is acknowledged however the likely impact of COVID-19 on progress against the originally agreed timeframes.

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Adding value through our external audit work

Our objective is to ensure we deliver a quality external audit which complies with International Standards on Auditing (IScottish Ambulance Service) UK and the Audit Scotland Code of Practice (2016). Our quality arrangements ensure we meet audit quality requirements and give you confidence in our work and opinion, in the auditor’s report.

Through this Annual Report we seek to provide insight and commentary over certain aspects of Scottish Ambulance Service arrangements, sharing relevant practices with the Audit and Risk Committee and Management.

We have continued to build on our working relationship with management and our understanding of Scottish Ambulance Service as an organisation. We continue to reflect and act on feedback from prior year audits albeit our year end audit faced additional challenges as a result of the need to work remotely as a result of Covid-19.

We have made a positive contribution at the Audit and Risk Committee during the year, sharing our wider NHS and public sector experience including emerging issues and wider insights from England and Wales. We also have representation on NHS Scotland’s Technical Accounting Group (TAG) to ensure we have sufficient understanding of the latest technical accounting guidance and practice.

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Introduction

Reporting

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2020.

Our work has been undertaken in accordance with International Standards of Auditing (IS Scottish Ambulance Service) (UK) and the Audit Scotland Code of Audit Practice 2016.

Our report is addressed to the Board of Scottish Ambulance Service. In addition, in accordance with our reporting responsibilities the report is jointly addressed to the Auditor General for Scotland.

Once finalised this report will be made publicly available on the Audit Scotland website (www.audit-scotland.gov.uk)

Our report was presented as a draft to the Scottish Ambulance Service Audit Committee on 11 June 2020. Scottish Ambulance Service presented this report alongside the final 2019/20 financial statements to the Board meeting on 24 June 2020.

We would like to thank Scottish Ambulance Service management and the finance team for an effective year-end audit process and all their support and assistance in the audit process.

Structure of this report

In accordance with the Audit Scotland Code of Practice 2016, in addition to our core financial statements audit we provide conclusions on the four dimensions of wider-scope public audit.

Through this Annual Report we seek to provide insight and commentary over certain aspects of Scottish Ambulance Service's arrangements, sharing relevant practices with the Audit Committee and Management.



Our Opinion

For the financial year ended 31 March 2020 we have issued an **unmodified audit opinion**:

- True and fair view of the financial statements
- Regularity – expenditure has been incurred in accordance with the purpose of Scottish Ambulance Service
- Other prescribed matters (which include the audited information in the remuneration report)

Our opinion will include an emphasis of matter paragraph in relation to the material valuation uncertainty which was identified by professional property, plant and equipment valuers.

The audit process

We received the financial statement template (numbers) at the start of the audit. The remainder of the financial statements were received later in the audit process, as agreed with management.

The draft financial statements were supported by good working papers however remote working resulted in some inefficiencies in the audit process. Despite the inefficiencies the audit was delivered broadly in line with the timetable agreed at planning.

We identified no unadjusted differences to report to the Audit Committee and the Board. Management identified one adjustment in relation to Revenue Resource Limit Allocations in the course of the audit and adjusted this in the updated accounts.

We also identified a disclosure correction in respect of capital commitments in the excel accounts template. This was discussed with management and updated in the written annual accounts. We are satisfied these have been reflected within the financial statements.

Audit approach and materiality

Our audit approach was set out in our audit plan presented to the Audit Committee on 22 January 2020. Overall materiality has been set at £6.1 million, approximately 2% of gross expenditure and performance materiality is set at £4.575 million, 75% of materiality.

Our planned approach of a 2% materiality benchmark has not changed from that set out in our plan.

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

An additional significant audit risk was identified in relation to Covid-19 which caused significant disruption to all public sector entities in the later half of March 2020. This was reported to the Audit Committee in April 2020.

Our work completed in relation to the audit risks identified (management override of controls, risk of fraud in expenditure recognition and Covid-19) and our conclusions are set out in this report under Responding to significant risks.

Audit opinion

We are pleased to report that for the financial year ended 31 March 2020 we have issued an **unmodified audit opinion**.

- That the financial statements represent a true and fair view of the organisation for the year to 31 March and at the date of the statement of financial position
- Regularity – expenditure has been incurred in accordance with the purpose of Scottish Ambulance Service.
- Other prescribed matters (which include the audited information in the remuneration report)

We have included an **emphasis of matter** paragraph in the opinion in relation to the material valuation uncertainty which was identified by professional property, plant and equipment valuers as a result of the economic conditions following Covid-19.

Internal control environment

During the year we sought to understand Scottish Ambulance Service's overall control environment (design) as related to the financial statements. In particular, we have:

- Considered procedures and controls around related parties, journal entries and other key entity level controls.
- Performed walkthrough procedures of key financial processes including income and expenditure recognition, journal postings, and payroll

Our work over controls is limited to our ISA requirements in understanding an entities control environment. Our audit is not controls based and we do not place reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Internal Audit

As set out in our external audit plan our audit approach is to comply with the ISA's and we do not place formal reliance on the work of KPMG, Scottish Ambulance Service's internal audit provider during 2019/20. We have reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach.

The opinion of Internal Audit for the year was:

“Significant (with minor improvements) assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.”

The findings of internal audit are consistent with our knowledge and experience of Scottish Ambulance Service. From our review we are satisfied that there were no areas arising from the work of internal audit that would impact on our audit opinion or require specific disclosure in the annual governance statement. The internal audit team is suitably qualified and has sufficient capacity to deliver the internal audit service.

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in expenditure recognition	<p>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, Scottish Ambulance Service 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. Scottish Ambulance Service'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.</p>

Work completed

- Walkthroughs of the controls and procedures over other operating expenditure streams
- Substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement
- 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
- Considered the regularity of expenditure incurred to ensure alignment with the type/nature of Scottish Ambulance Service as an organisation.
- Review of 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 estimates.

Our conclusion

Based on our testing we can conclude:

- We did not identify any exceptions in our cut-off testing of year end expenditure.
- We did not identify any exceptions in the completeness and accuracy of accruals, deferred income or provisions balances at the year end.
- Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of Scottish Ambulance Service (regularity).

Risk area

Management override of controls

Identified audit risks at planning

As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.

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.

Work completed

- Considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- Reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2020 and retrospective review of those estimates as at 31 March 2019.
- Journals testing including:
 - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
 - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger;
 - Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction.

Our conclusion

Based on our testing we can conclude:

- There was no evidence of management override in our testing of controls.
- Scottish Ambulance Service financial statements do not include material judgements or estimates. We considered injury benefit, CLO and participation in CNORIS provisions, with no matters to report.
- We did not identify any unusual or significant transactions throughout the financial year or during the financial close period which were out with the ordinary operations of Scottish Ambulance Service.

Risk area

Covid-19

Identified audit risks at planning

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and restrict the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Work completed




- Worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations;
- Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose;
- Inspection of professional valuation reports for Property, Plant and Equipment, testing assumptions underlying the valuations and engaging with the professional valuer;
- Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- Evaluated whether sufficient audit evidence could be obtained through remote technology;
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as recovery of receivable balances; and
- Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

Our conclusion




Based on our testing we can conclude:

- Covid-19 and remote working did not restrict Scottish Ambulance Service's ability to prepare the financial statements or restrict the audit evidence required to complete the audit.
- Management's assumptions underpinning financial forecasts and the going concern assessment have adequately considered the potential impact of Covid-19.
- Management have adequately assessed the impact of Covid-19 on the organisations governance arrangements.
- The professional valuers have identified a material valuation uncertainty over the Property, Plant and Equipment valuation. As a result our audit opinion will include an emphasis of matter paragraph.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Scottish Ambulance Service primarily receive funding via Scottish Government Health and Social Care Directorate.</p> <p>Other income is received from other NHS Scotland bodies with a small immaterial amount being received from non-NHS bodies. Other income is recognised in the year which the revenue relates to.</p>	<p>Scottish Ambulance Service revenue recognition policies are in line with the FReM and NHS Manual for Accounts. We rebutted the risk of fraud within revenue as revenue is primarily government funding or income received from other NHS Bodies for services provided in the year.</p>	<p> (GREEN)</p>
Judgements and estimates	<p>Scottish Ambulance Service have disclosed property, plant and equipment valuations as a key source of judgement and estimation uncertainty.</p>	<p>Scottish Ambulance Service accounting policy for judgements and estimates are in line with the FReM and NHS Manual for Accounts. We have performed substantive testing on the property, plant and equipment balances including assessment of the professional valuers. From our testing we are satisfied that the judgments and estimates used are appropriate, and it is correct to disclose this, within accounting policies.</p>	<p> (GREEN)</p>
Other critical policies	<p>None identified by Scottish Ambulance Service.</p>	<p>We have reviewed the Scottish Ambulance Service accounting policies against the FReM and NHS Manual for Accounts requirements. Scottish Ambulance Service has appropriately tailored the standard accounting policies to its individual circumstances.</p> <p>We recommended a small number of minor disclosure changes, which have been made in the audited financial statements.</p>	<p> (GREEN)</p>

Assessment

-  Marginal accounting policy which could potentially be open to challenge and/or interpretation
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of increased risk due to their complexity or magnitude. This includes areas of key estimation and judgement and application of accounting policies.

Scottish Ambulance Service Accounting policies are in accordance with IFRS as interpreted and adapted by the 2019/20 NHS Accounts Manual (where relevant to the health board) and we consider these to be appropriate to the organisation. These have been applied consistently to the previous year.

Scottish Ambulance Service's significant accounting estimates and judgement impacting on the annual accounts are the following:

Valuation of property, plant and equipment: Scottish Ambulance Service holds property, plant and equipment at fair value. Valuations of land and buildings are reassessed by professional valuers, District Valuer Services, annually. During 2019/20 the revaluation resulted in a net increase in the carrying value of property, plant and equipment of £0.641 million. We have agreed the revaluation to the independent revaluation report and confirmed through testing a sample of revaluation entries, that these have been appropriately recognised in the financial statements and that underlying assumptions applied, including market movements are supported through appropriate market data.

We have reviewed the reasonableness of the revaluation through assessing in year movements across the asset base and investigated any movements out with the trend for assets in that category. These have been investigated with the valuer. We are satisfied that the revaluation has been appropriately reflected in the financial statements.

Pension provisions and injury benefit: Scottish Ambulance Service provides for future estimated payments in relation to permanent injury benefit awards to former employees as well as amounts relating to former employees who retired early in the interests of the service. The total amount provided at 31 March 2020 was £10.334 million. We are satisfied that the provision has been appropriately calculated in accordance with the NHS Accounts Manual and has been independently agreed to supporting information from the Scottish Public Pension Agency and HM Treasury which we have reviewed as an appropriate source of management evidence.

Clinical and Medical Legal Claims and CNORIS provisions: Scottish Ambulance Service provides for Clinical and medical legal claims against the board. Scottish Ambulance Service participates in the Clinical Negligence and Other Risk Indemnity Scheme (CNORIS). Under CNORIS, Scottish Ambulance Service meets the costs of claims up to £25,000. Any amount above this is covered through a pooled CNORIS share made up from contributions from all health boards. Scottish Ambulance Service contribute annually to the CNORIS scheme. Audit Scotland have provided an independent assessment of the suitability of the CLO as Management expert and a review of the Scottish Government methodology to calculate CNORIS provisions. We have reviewed clinical and medical legal claims and CNORIS provisions and have confirmed that the amounts recognised are in accordance with advice received from the Central Legal Office in relation to claims outstanding against Scottish Ambulance Service.



New accounting standards

There has been no adoption of new accounting standards in the year. The adoption of IFRS 16 – Leases, has been delayed for public bodies by a year as a result of the Covid-19 pandemic.

Going concern

Scottish Ambulance Service has an agreed budget for 2020/21 and financial forecasts for 2021/22 and 2022/23. The Board has received a draft resource allocation letter for 2020/21, however final confirmation of allocations will not be received until later in the financial year.

The Scottish Ambulance Service budget for 2020/21 recognises increasing financial pressures. The board has estimated cost pressures of £23.4 million, primarily in relation to pay cost pressures (£12.8 million), 2019/20 cost pressures managed through non recurring savings and slippage (£9 million) as well as other inflationary, non-pay related and significant programme pressures of £1.6 million. The financial plan for 2020/21 has identified a net pressure of £14 million after accounting for resource uplift and additional SG funding. A range of savings have been identified to support this and taking a presumed slippage figure of £2 million Scottish Ambulance Service will need to identify an additional £1.9 million of savings to achieve a breakeven position.

In concluding on the going concern basis, we have assumed that Scottish Government will continue to provide revenue and capital resource allocations to the Scottish Ambulance Service. The board maintains net assets position of £88.182 million and sufficient cash flows to meet its obligations as they fall due.

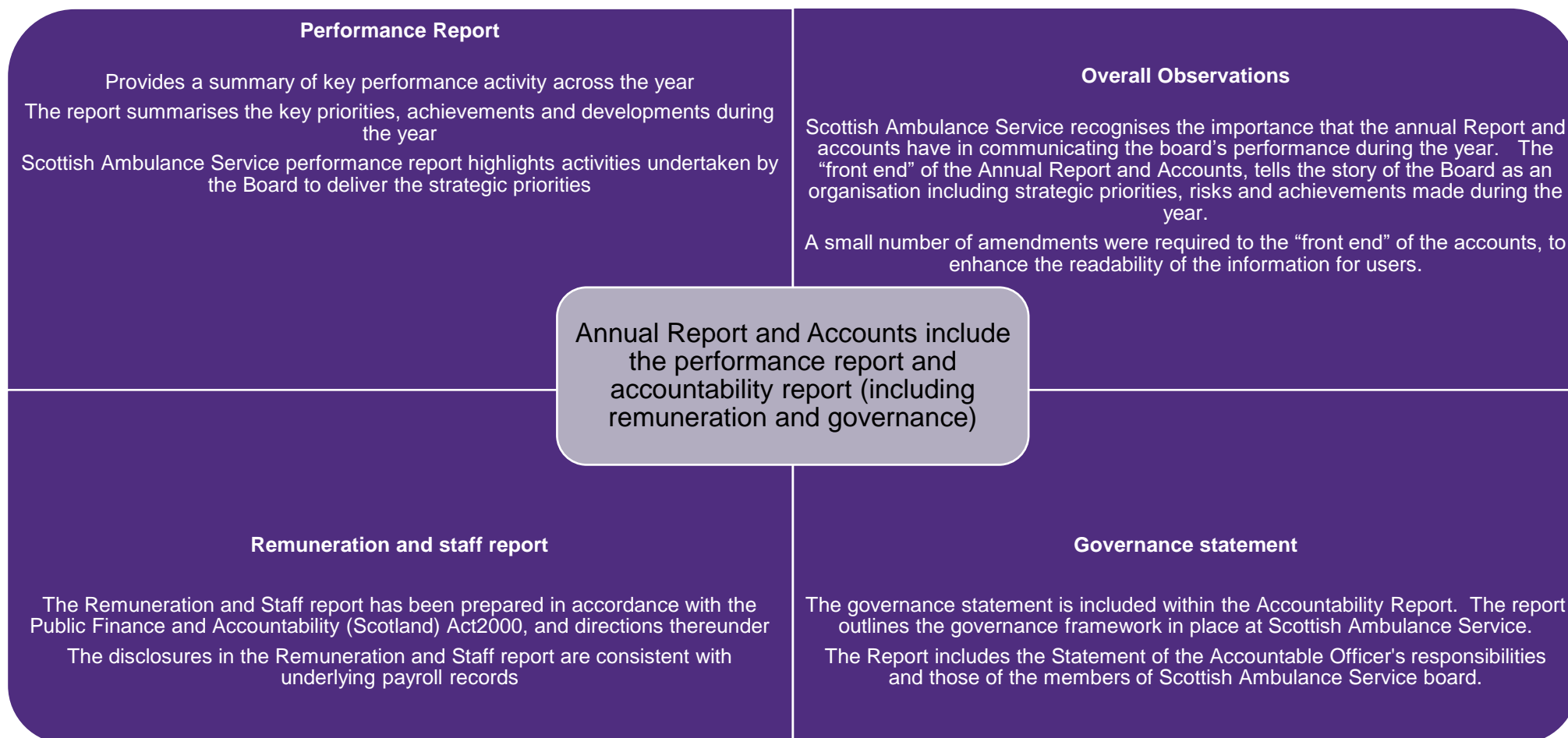
Fraud and irregularity

There are no provisions or uncertainties related to the accounts. In relation to the audit risk of fraud in respect of expenditure we tested Scottish Ambulance Service's cut-off arrangements in particular (timing) and identified no issues in accruals or prepayments which would indicate potential fraud.

There are no post balance sheet events or legal uncertainties at year-end.

Narrative elements of your annual accounts

In accordance with our responsibilities we have reviewed your narrative aspects of the Annual Accounts and Report. We have considered the consistency of this narrative with our understanding and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention.



Financial management

While we have not identified any significant wider scope risks in relation to financial management, we have reviewed Scottish Ambulance Service's financial management arrangements including the extent to which there is effective scrutiny over financial performance.

Headlines



The Scottish Ambulance Service met its key financial targets for 2019/20 achieving a £0.069 million surplus against their core revenue resource limit of £281.413 million.

Scottish Ambulance Services' outturn position was reliant on non-recurring revenue and savings. To achieve its financial targets, Scottish Ambulance Service delivered savings of £12.7 million. However, of this total, £5m relate to non-recurring savings and £4.1m of slippage incurred in the year meaning a total underlying deficit of £9.1m is to be carried forward into 2020/21.



Management have identified a 3 year savings plan and more efficient and effective ways of working through the Best Value programme. It is critical that Scottish Ambulance Service develop a financially sustainable operating model that supports service delivery while continuing to invest in strategic developments.

Financial management – Detailed findings

Overall Position

The Scottish Ambulance Service (Scottish Ambulance Service) has a statutory financial target to deliver a break-even position against its Revenue Resource Limit (RRL). To achieve this in-year savings need to be achieved. The Board has delivered its financial targets each year through a challenging cost and efficiency programme and against a backdrop of increased operational pressures within the service. Scottish Ambulance Service met its key financial targets for 2019/20 achieving a £0.069 million surplus against their core revenue resource limit of £281.413 million.

Capital Expenditure

Scottish Ambulance Service reported a breakeven against their capital resource limit of £26.025 million. During 2019/20, the most significant capital expenditure related to the ongoing vehicle replacement project. Capital expenditure forms a critical part of the organisation's continued investment in the ambulance infrastructure.

For 2020/21 the Board have a capital resource limit of £21.875 million. Over the medium term the vehicle replacement programme remains the predominant area of capital expenditure with a planned spend of £14.545million in 2020/21

	Resource Limit £'000	Outturn Expenditure £'000	Variance (over)/under £'000
Revenue resource limit – Core	281,413	281,334	69
Revenue resource limit – Non-Core	15,236	15,236	0

Financial management – Detailed findings (continued)

Covid-19

Due to the Service's response to the COVID-19 pandemic, an additional cost pressure of £1.7 million of expenditure was incurred over the last 6 weeks of the financial year. This comprised costs associated with Personal Protective Equipment (PPE) and additional staff, as well as an accrual for annual leave due to a greater number of leave days forecast for 2020. This has been reported to Scottish Government and additional funding has been confirmed in the final allocation letter for financial year 2019/20. The reported outturn position as at 31 March 2020 reflects this additional allocation.

Scottish Ambulance Service have been working closely with the Scottish Government and a weekly COVID-19 finance reporting update has been introduced. This outlines the projected additional COVID-19 related costs which are reviewed and updated on a weekly basis. For 2020, Scottish Ambulance Service have estimated at a very high-level additional costs of up to £21 million relating to COVID-19. This weekly submission to the Scottish Government is also issued to the Board. The Scottish Government has requested that Scottish Ambulance Service highlight any material changes to their response to the pandemic along with any aspects which require specific authorisation.

Scottish Ambulance Service have committed to ensuring that their COVID-19 response and plans are developing across the NHS Health and Social care system, taking account of the system wide approach and ensuring that care is taken to avoid the duplication of costs. Any potential double counts will be highlighted to Scottish Government as part of their submission.

Delivery of savings

Despite the developing situation with the pandemic toward the end of the financial year, the efficiency programme for 2019/20 was achieved with total savings of £12.7 million delivered. Of this total, £5 million relate to non-recurring savings which is largely in line with levels reported over the last 2 years. There was also £4.1m of slippage incurred in the year meaning a total underlying deficit of £9.1million is to be carried forward into 2020/21. A continued reliance on non-recurring benefits through efficiency savings and routine slippage, if not appropriately addressed, could eventually lead to an unsustainable financial position.

Financial management oversight

Financial performance is monitored by management and reported to the Board on a monthly basis. Financial Performance reports are reported regularly to the Board. From our review of the financial reports to the Board:

- Financial performance reports were clear and concise
- From review of minutes there is challenge and scrutiny of performance in the year and key variances between actual and outturn performance.
- Financial pressures and challenges are discussed and savings profiles revised during the year to ensure accurate forecasting

Financial capacity and capability

The Board continued to make progress in establishing its finance function and in June 2019 a permanent appointment was made for the Director of Finance role. Alongside the appointment of a new Head of Finance in the previous year these arrangements have enhanced the capacity and capability of the finance function. This is key to support Scottish Ambulance Service management during a period of challenging financial pressures as it looks to deliver a financially sustainable operating model.

Financial sustainability

We identified the following risk in relation to financial sustainability in our annual audit plan:

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.

Scottish Ambulance Service'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 Scottish Ambulance Service is the delivery of the required level of savings while continuing to focus on short and medium term performance.

Significant wider scope risk identified: Scottish Ambulance Service 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 within our audit plan:
We will assess 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 performed underpins the medium to longer term financial plans and progress made by Scottish Ambulance Service in addressing the forecast budget gap while maintaining focus on performing and delivering against 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 Scottish Ambulance Service's financial plans.

Other wider scope procedures

In relation to broader financial sustainability we will continue to develop our understanding of the Board's financial planning arrangements including workforce plan development and how this both supports Scottish Ambulance Service overcome operational challenges while recognising the financial challenges facing Scottish Ambulance Service.

The headlines identified from our wider scope work in this area alongside detailed narrative are included overleaf.

Headlines



Scottish Ambulance Service's medium term Financial Plan 2020-23 is set in a context of rising pay and non-pay cost pressures. To achieve financial balance across the three year period, Management has identified the need to deliver significant efficiency savings over the next three years. Savings totalling £21.5 million have been identified in the three year period with plans to save £9.8 million in 2020/21, £6.2 million in 2021/22 and £5.5 million in 2022/23. A further £5.6 million savings are required however which have not yet been funded.

Engagement with the Best Value Programme set up in 2018/19 has assisted Scottish Ambulance Service in realising the savings achieved in 2019/20. Continued engagement in the Programme has resulted in the creation of the Property Forum Group to monitor and prioritise estate capital works and a review of stock control processes. The Financial Plan will seek to engage fully with this programme to review other processes with the view to enhance financial sustainability.



During 2019/20 Management have forecast that savings of £14 million need to be delivered to meet resource targets. To date £12 million of savings have been identified. However, £2 million will be achieved through routine slippage in strategic projects, with a remaining £2 million of savings yet to be identified. Through the 3 year financial plan management have recognised that it needs to move away from reliance on non-recurring savings and utilising strategic resource funding to meet operational cost pressures to develop a financially stable operating model.

Financial sustainability – Detailed findings

Financial Planning

The Service's medium-term Financial Plan (2020-2023) looks to address the gap and increase longer term financial sustainability by delivering recurring savings and reduce reliance on non-recurring. The 3-year financial plan also looks to phase out slippage where there is £2m estimated for 2020/21 based on trends but none forecasted in the latter two years. In doing so, Scottish Ambulance Service forecast a reduced brought forward deficit of £4.5m in 2021/22 and £2m in 2022/23.

The financial plan has identified savings totalling £21.5million over the next three years, but there remains a significant level of additional unidentified savings as set out in the table below. Scottish Ambulance Service will therefore have to bridge this gap with further efficiency savings and cost control during these financial years.

	2020/21 £m	2021/22 £m	2022/23 £m	Total
Identified Savings	9.8	6.2	5.5	21.5
Unidentified Savings	1.9	3.13	0.57	5.6

Following the Scottish Budget announcements in February 2020, the funding settlement for Health Boards was issued. These final funding assumptions have been incorporated into Scottish Ambulance Service' 3-year financial plan. Scottish Ambulance Service continue to be guided by the Scottish Government Health and Social Care Medium Term Financial Framework published last year in their financial planning process. Key forecasts and assumptions from the framework included price effects in line with the UK Government GDP projections, demographic factors and non-demographic growth. It is fully anticipated that these projections will be adversely impacted by the effects of COVID-19 and the expected economic recession, however the extent of this impact remains unknown.

Financial sustainability – Detailed findings (continued)

Impact of Covid-19

The 3-year financial plan does not yet include the impact of COVID-19 and the financial effects are currently being monitored and managed in isolation of the strategy. In light of the pandemic, Scottish Ambulance Service have reviewed their savings plans and are working on a recovery plan, however a high number of savings plans related to improved overtime controls, managing abstractions and workforce redesign that will now be lost within the overtime increase as a result of COVID-19. There were also a number of other schemes that required the clinical and operational teams to lead which will be challenging given the demand pressures. As a result, they have estimated the level of unachieved savings as £3 million at this stage and have provided an update of the schemes to the Audit Committee describing these 'at risk' savings. This will continue to be monitored over the coming months and will be linked to the developing recovery and renewal plan.

Financial planning 2020/21

The financial plan for 2019/20 projects a breakeven position. However £2 million of savings have yet to be identified to meet these targets.

Key Assumption	Budget £'000	Comment
Revenue resource allocations	286,000	Draft grant-in-aid letter received from the Scottish Government. Scottish Ambulance Service has assumed uplift of 1% of baseline in line with other patient facing health boards across Scotland as well as strategic funding requested from Scottish Government.
Other SG income	1,225	This assumes additional funding from the Scottish Government in respect of incremental drift/scales.
Cost baseline (including non-core)	303,325	The budget numbers reflect the three year pay deal to the end of 2020/21 which increases the pay expenditure by £6.6 million. Non-pay inflationary pressures include an inflation assumption of 1.4% taking into account increases in energy bills and the air-ambulance contracts.
Savings Required to breakeven		
Efficiency savings identified (including strategic investment slippage)	12,000	£2 million of the total relates to the routine slippage of planned investment. This is funded through RRL and therefore can be used to support in year cost pressures. Management anticipate a further £10m of savings through the Best Value Programme. The timely delivery of these will be critical to generate the required level of in year savings.
Unidentified savings	2,000	Management are in the process of identifying potential opportunities to generate in year savings. While management has demonstrated capacity to meet financial pressures, it will be critical that potential additional income or savings programmes are identified as a matter of urgency to avoid short term decision making to achieve financial balance at the risk of longer term strategic priorities.

We are satisfied that the financial plans in place are based on reasonable assumptions and appropriate based on our understanding of Scottish Ambulance Service. However, with £2 million of savings to be identified for 2020/21 it will be critical the board can identify and deliver these on a recurring basis to support the Board's underlying financial sustainability.

Governance and Transparency

While we have not identified any significant wider scope risks in relation to governance and transparency, in accordance with the Code of Audit Practice, we have undertaken appropriate procedures to allow us to form a conclusion around the organisation's governance and transparency arrangements. This includes review of governance structures and committee and Board minutes.

Headlines



Following Scottish Ambulance Service's self-assessment against NHS Scotland's Blueprint for Good Governance in 2018/19 an action plan was put in place to enhance governance arrangements. As at January 2020, 5 of the 20 actions had been completed and the rest classed as no risks identified to completion by the target date.

From our review of the performance quality indicator reporting dashboards, 60% of the targets had been met throughout 2019/20. The main areas where performance was below target was in relation to targeted response times and sickness absence levels. For most months in the year, the median response time for purple and red incidents was longer than the respective target response times.



Governance and transparency – Detailed findings

Governance structure

Scottish Ambulance Service has a relatively stable governance structure with the Board and its committees well established. The Board meets regularly during the year to monitor the delivery of the Board's strategic priorities. We found the level of reporting to the Board to be appropriate with key performance reports consistent and transparent, and aligned to the Boards strategic priorities. We did not find any material weaknesses in the governance arrangements in place during 2019/20.

Covid-19

In response to COVID-19, Scottish Ambulance Service have introduced revised governance arrangements to ensure that the organisation maximises the time available for management and operational staff to deal with the pandemic, as well as minimising the need for people to travel to and physically attend meetings. As a result, Board meetings are no longer being convened in public and are instead being held virtually. Papers and minutes of meetings are publicly available on Scottish Ambulance Service' website, except where these are of a confidential nature. The current schedule of Board and Board committee meetings is being maintained; however, agendas are only covering essential items of business. The Chair and Chief Executive provide a weekly report to non-executive directors summarising performance and other relevant information and recipients are required to formally acknowledge that they have received and read this. These revised governance arrangements will be subject to review after 3 months to ensure they remain appropriate considering the evolving situation with COVID-19.

Blueprint for Good Governance

Resulting from Scottish Ambulance Service' self-assessment against NHS Scotland's Blueprint for Good Governance, an improvement action plan was created and approved by the Board and the Cabinet Secretary for Health and Sport in April 2019. The purpose of the action plan is to enhance corporate governance within the Service to ensure the governance framework in place is effective, transparent and applied consistently. Scottish Ambulance Service continues to monitor its progress against the action plan and provide updates to the Board. The Board also undertook a mid-year review of progress in November 2019 which was followed by a meeting of the Chair of the Board and Governance Committees in January 2020 to discuss the progress with specific actions within their remits. As at January 2020, 5 of the 20 actions had been completed and the rest classed as no risks identified to completion by the target date. It is acknowledged however the likely impact of COVID-19 on progress against the originally agreed timeframes.

The Good Governance action plan identifies opportunities for improvement regarding each of the five Blueprint functions: setting the direction, assessing risk, holding to account, stakeholder engagement, and influencing culture. One of the actions which is currently outstanding is in relation to monitoring of the implementation of the revised Risk Management Policy and Strategy. There has been progress made with the action where a revised Risk Management Policy defining the reporting, monitoring and assurance arrangements was reviewed at the Audit Committee and approved by the Board in January 2020. The next steps to progress this action to completion is the monitoring of the implementation of the policy as well as creation of the Risk Management Strategy. This is scheduled for completion in Summer 2020, in line with Scottish Ambulance Service' 2030 Strategy.

Strategy

Scottish Ambulance Service continues to transform the Service through their strategy "Towards 2020: Taking Care to the Patient." This defines three key strategic work streams; Clinical Services Transformation, Enabling Technology and Workforce Development. Progress with these programmes are reported to and discussed at each Board meeting. During 2019/20, the Scottish Government invested an additional £6.6m to support the delivery of the strategy, bringing the total investment to date to £24.6m. This allows the Service to continue to drive enhancements within Ambulance Control Centres, and to take forward Paramedic recruitment, development of advanced practice and the implementation of enhanced Developing Frontline Leaders and Managers (DFLM) time.

Included within the Good Governance action plan and the Towards 2020 strategy is the requirement to ensure that the organizational policies and training are aligned to the "Once for Scotland" vision set out by NHS Scotland. This vision aims to ensure that workforce policies promote NHS Scotland as a modern, exemplar employer, showcasing their core values, effective recruitment and retention, and promoting consistent employment policy and practice. The Board has committed to continue to implement the recommendations and templates for a Once for Scotland approach and adopt best practice as they emerge from the National Corporate Governance Group leading on this work.

Risk management

In line with the Scottish Public Finance Manual, the Board has established a risk management strategy and underlying framework to support the identification and management of risks.

The corporate risk register is monitored through the Audit Committee and was presented to the Scottish Ambulance Service Board throughout the year. The register has been subject to scrutiny and development to ensure that the risks identified and mitigating actions are appropriate and reflects the strategic risks facing the service. Operational risks are monitored across the organisation through the Board's web based risk management system.

The Board's self-assessment against the Blueprint for Good Governance identified opportunities to further enhance risk assessment arrangements. This included clearly defining risk appetite and tolerance levels that the Board had to risks to the delivery of strategic objectives. In response to the self-assessment, the Board approved its risk appetite in May 2019.

Performance Quality Indicators

At each meeting, the Board receives a Quality Indicators Performance Report. This paper highlights Scottish Ambulance Service' performance against their Operational Delivery Plan for clinical, operations (including scheduled and unscheduled care) and staff experience measures. The report includes performance against targets, underlying reasons for variances and any next steps to drive future improvements. From our review of the performance reporting dashboards, most of the targets had been met throughout 2019/20, but with some exceptions.

The main areas where performance was below target was in relation to targeted response times and sickness absence levels. For most months in the year, the median response time for purple and red incidents was longer than the respective target response times. Purple and red incidents are the highest and second highest priority calls for acutely unwell patients.

Scottish Ambulance Service undertook a demand and capacity review and submitted a business case to Scottish Government in January 2020 describing the need to increase capacity. Approval of £10.5million was received from Scottish Government in March 2020 to commence the implementation of this business case.

Other measures consistently not performing to targets was the rate of sickness absence. The lowest sickness absence rate observed during the year was 7.6% in March 2020 and a peak of 9.7% in January 2020 against the target of 5%. Revised Attendance Management policy and processes were introduced from 1st March 2020 as part of phase one of the national Once for Scotland policy implementation. However, all Boards have had to suspend or adjust normal operational management activity as they prioritise the COVID-19 response. Currently, all regions/directorates are reviewing case handling arrangements and ongoing partnership discussions are taking place to identify how best to handle specific staff situations using a person-centred approach. It is recognised given the services provided by Scottish Ambulance Service there may be a higher degree of absence and that the aspirational target of 5% will be challenging for the organisation.

Transparency

Board minutes and supporting papers are published in a timely basis online and easy to find as well as a range of corporate publications detailing the Board's underlying performance and activities. Live performance information is available on the Scottish Ambulance Website and key performance information reported through annual report and other corporate publications.

Fraud and Irregularity

Scottish Ambulance Service has arrangements in place to help prevent, detect and mitigate the risk of fraud or irregularity, including anti-bribery and whistleblowing policies. While we consider these to be reasonable, no arrangements can fully prevent against the risk of fraud, theft or irregularity. We are not aware of any material frauds at Scottish Ambulance Service during the course of the year and have confirmed this with management.

The Board participates in the National Fraud Initiative (NFI), a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and the National Audit Office to identify fraud and error.

We found Scottish Ambulance Service arrangements for participation in the NFI exercise during 2019/20 to be satisfactory. The Board has effective arrangements in place for the submission of data and investigation of potential matches.

Performance Quality Indicators



■ Meeting or exceeding targets (6) ■ Not meeting targets (4)

Value for Money

We identified the following risk in relation to value for money in our annual audit plan:

Value for money

Scottish Ambulance Service continues to look to enhance how it can through best use of public resources create and maximise public value. In doing so it has developed its performance reporting, focusing not only on response times but also on clinical outcomes. Monitoring arrangements have also been developed. 2019/20 represents the final year of the Scottish Ambulance Service strategy – Towards 2020: Taking Care to the patient, and the board is developing its new strategy, defining Scottish Ambulance Service'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 Scottish Ambulance Service will look to maximise its use of resources while delivering positive outcomes for patients.

Scottish Ambulance Service has recently implemented a new suite of performance and clinical outcome 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. Work has also been developed in detailing community based data sets identifying health needs and demands.

Significant wider scope risk identified: 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. Scottish Ambulance Service has implemented a new performance framework that focuses on improving patient outcomes, rather than simply a measure of response times. This has impacted on performance outcomes. Scottish Ambulance Service continues to face challenges in missing performance targets and in response to this a detailed demand and capacity analysis was undertaken this showed that demand has increased across Scotland and increased capacity is needed. The business case describing this was approved by the Scottish Government in January 2020 and this in tandem with the development of clinical outcome data at a regional and community level will aim to see an improvement in response times. Response times however for the most acuity ill patients continue to be at the higher performance within the UK.

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 including clinical outcomes. It is important, particularly as Scottish Ambulance Service sets its new strategy, that it has focus on delivery of performance outcomes and clinical outcomes, ensuring efficient and effective use of resources and targeting areas of underperformance and those communities requiring the greatest need.

Audit
response

Response to wider scope significant risk: We will assess the extent to which Scottish Ambulance Service'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 Scottish Ambulance Service 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 Scottish Ambulance Service can demonstrate the delivery of strategic outcomes, demonstrating the efficient and effective use of resources.

The headlines identified from our wider scope work in this area alongside detailed narrative are included overleaf.

Headlines



In the context of significant financial pressures, service delivery and performance will come under increasing pressure. 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.

To ensure that resources are used efficiently, effectively and economically, the Executive Leadership team receive weekly updates on the Best Value Programme and the Audit Committee on a quarterly basis. In 2019/20, the Best Value Programme had in place 49 projects/workstreams, most of which were either fully or partially completed. The contribution from the programme in the financial year was £4.5m and comprised savings from abstractions, sickness absence, shift over-runs, fuel initiatives and insurance.



The new clinical response model is continuing to be monitored as are performance management HEAT targets. Performance indicators in both programmes have remained relatively stable in comparison to the prior year and key areas for continued improvement are employee absence rates and targeted response times.

Value for Money – Detailed findings

Best Value Programme

The Best Value Programme is aimed at developing and delivering a sustainable efficiency programme and has had positive engagement throughout 2019/20. This is led by the Director of Finance and is fully supported by the Board and Executive Team who receive weekly progress updates on the implementation of savings initiatives. As part of its remit the Best Value Programme exercises scrutiny of all cost control processes to ensure the most efficient and cost-effective decisions are consistently made, whilst maintaining a high-quality patient led service.

In 2019/20, the Best Value Programme had in place 49 projects/workstreams, most of which were either fully or partially completed. The contribution from the programme in the financial year was £4.5m and comprised savings from abstractions, sickness absence, shift over-runs, fuel initiatives, insurance recovery. It is noted that the agreed savings target for the Best Value Programme was £7.8m, however this shortfall was covered by the over delivery of efficiency savings across the Directorates via the 0.5% service target (operational) and 1.5% support efficiency target (corporate).

The Best Value Programme continues to be a key feature of the 2020-23 financial plan. The list of schemes over the next three years is set to rise to 62 with further ideas derived from staff through a formal communications programme. The programme has developed a plan for the 2020/21 financial year this builds upon the momentum of the work in 2019/20 and forecasts savings of £5.6m from National Best Value Programmes.

During internal engagement with staff in 2019/20 and a review of the approach to the delivery of savings, Scottish Ambulance Service identified a need to bring all saving plans together and clearly define national programmes through the Best Value Programme and devolved accountability to the budget holders for local implementation. The Best Value Programme will now therefore provide an overarching reporting mechanism for all locally devolved savings schemes and will lead on driving nationally identified initiatives and projects. Significant work and focus will continue in these areas into 2020/21.

Furthermore, as part of the Best Value Programme, a new Property Forum Group has been set up to review and prioritise the estates capital projects. This is being done in conjunction with the Demand & Capacity Review to align the outputs of both programmes of work. All projects being funded from the capital formula allocation are required to submit a business case describing the benefits and risks and how it aligns to corporate objectives. This has supported in the prioritisation process to ensure that the limited capital funding available is being utilised on projects that will provide the organisation with the greatest benefit.

Covid-19

Scottish Ambulance Service have produced finance guidance in relation to COVID-19 spend which has been issued to all managers describing the internal processes for financial control and authorisation within the Service. This is aimed to promote awareness across managers and budget holders to ensure that whilst patient safety and staff welfare takes precedence, it is critical that expenditure decisions reflect best value and appropriate use of public funds. As a result, any new development proposal is required to be completed via the mini business case document that is also used for capital bids. This aims to show that the individuals and teams within the organisation have considered other feasible options, can demonstrate value for money and that key internal stakeholders have contributed to the discussion.

Scottish Ambulance Service, as with all other health boards within the NHS, face significant financial challenges. This has been amplified by the effects of COVID-19 whereby Scottish Ambulance Service has had to balance its response to the pandemic alongside financial recovery. As well as increased COVID-19 related spend, there is also an increased risk to the achievement of savings targets for 2020/21 with disruption to planned savings programmes and a condensed period in which targets will need to be delivered in the year. It is noted that there is a newly formed Financial Improvement Group being led by Lothian health board which aims to bring together all health boards in Scotland to identify shared areas of opportunity and best practice approach to delivery of savings. Considering the impact on savings plans into 2020/21, this could be particularly beneficial to Scottish Ambulance Service where it could help to accelerate the delivery of savings in order to meet annual targets.

Overall, the Service demonstrates a clear commitment to identifying new and different ways of working as supported by their drive for efficiencies, their best value programme and focused work on rostering, workforce planning, cost control and transformation. The continuous review of resources and efficiencies must be maintained to ensure a sustainable financial position and to enhance the role of Scottish Ambulance Service in the provision of health and social care.

Clinical response model

The response model in place at Scottish Ambulance Service focuses on improving patient outcomes, rather than a measure of response times. Resources are allocated on confirmation of the severity of the incident, rather than the location of the incident with a focus on time-critical, immediately life-threatening conditions.

The response model focuses on improving patient outcomes rather than measuring the time it takes to respond. While there has been a slight increase in response times to patients that are less acutely unwell, there has been no increase in clinical deterioration of these patients and the outcomes for these patients have remained stable.

A demand and capacity plan has been prepared by Scottish Ambulance Service and approved by the Scottish Government resulting in additional funding of £10.5 million to Scottish Ambulance Service for the implementation of the plan. The plan aims to further reduce response times in order to improve patient outcomes and experience while also reducing accident and emergency attendance by treating more patients in local communities and contributing to the development of sustainable primary care services.

The Board will continue to monitor and review the impact of the response model and delivery of the demand and capacity plan on patient outcomes in line with clinical governance arrangements. This will inform any future improvements to the model.

Performance management

The Board continues to develop and enhance its performance management arrangements. Along with the Scottish Government's HEAT (health improvement, efficiency, access to treatment and treatment) targets, the Board has incorporated a range of service performance measures.

Appendices

- Audit adjustments
- Action plan and recommendations
- Follow up of prior year recommendations
- Audit fees and independence
- Fraud arrangements
- Communication of audit matters

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no uncorrected misstatements to the financial statements arising during our audit.

The adjustments made are detailed below:

Item	Dr (£'000)	(Cr) (£'000)	Description
	General Fund	261	
1	Operating Income	(14)	<i>Being adjustment in respect of grant payment for electrical vehicle leasing included in March 2020 Scottish Government draw down.</i>
	Current Payables	(87)	
	Non-Current Payables	(160)	

The Scottish Government included a grant of £261,041 for the 3 year lease of Electric Vehicles along with Scottish Ambulance Service's March cash draw down but didn't inform Scottish Ambulance Service. Scottish Ambulance Service initially posted this as cash draw down. When management identified the error the above adjustment was posted and management notified the audit team.

2	Accruals	225	<i>Being reallocation of amounts owed to other public sector bodies within Note 11 – Trade and Other Payables</i>
	Other Public Sector Body Payables	(225)	

The review of the WGA allocation had not been completed at the time of the audit. Once completed the client notified us that an adjustment had been posted to reclassify other public sector body payables from accruals.

Disclosure misstatements

In accordance with auditing standards we are required to highlight significant disclosure misstatements to allow Audit Committees to evaluate the impact of these matters on the financial statements.

Disclosure omission

Detail

Adjusted

Correction of capital commitments disclosure

The initial excel accounts template had omitted the capital commitments value of £14,546k. This was corrected in the first word version of the accounts.

✓

Remuneration Report

The former Director of HR refused consent to disclose their name in the remuneration report however their title and remuneration figures have been disclosed. The individual has since left post so this issue will not be relevant in future years.

✗

Action plan and recommendations

We have set out below, based on our audit work undertaken in 2019/20, two risks and recommendations which we consider is of a higher risk to Scottish Ambulance Service that Management may wish to consider in the future.

Recommendation

1. Financial management

Scottish Ambulance Service's outturn position was achieved through the delivery of £12.7 million of efficiency savings. This included a number of Directorate Savings delivered across the board's service lines including those plans identified and delivered through Best Value initiatives.

The outturn position includes £4.1 million of slippage and a further £5 million of savings which are non-recurring leading to a total underlying deficit of £9.1 million being carried forward into 2020/21.

While we recognise Scottish Ambulance Service continued to deliver its outcomes, it demonstrates the board's reliance on non-recurring savings to achieve financial balance. It is critical that the board develop a sustainable operating model that delivers financial balance while supporting strategic investment.

The financial plan 2020-23 has identified cost pressures totalling £57.115 million in the coming three years. While efficiencies and savings have been identified there are residual unidentified savings of £5.6 million which need to be identified and achieved alongside planned slippage of £2m in 2020/21 in order for Scottish Ambulance Service to breakeven in each of the three financial years.

The identification of further savings required to breakeven should be closely monitored to assist in achieving financial balance.

2. Journal Template – Controls

Inspection of the journal listing for the financial year identified a number of journal entries which had a posting date in financial years prior to 2019/20.

Discussions with management and inspection of journals identified that these journals did relate to financial year 2019/20 but had been uploaded using rolled forward journals templates and the date had not been updated.

Although this does not have an impact on the financial information within the accounts there is a risk that these journals could undermine transparency of the journal review process.

We recommend that all journal templates used for uploading are posted with the correct date.

Agreed management response

Management response:

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

Action owner:

Director of Finance, Strategy and Logistics

Timescale for implementation: Throughout period of 3 year financial plan

Management response:

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

Action owner:

Head of Finance

Timescale for implementation:

June 2020

Follow up of 2018/19 recommendations

We set out below our follow up of our 2018/19 recommendations and these are reflected below for information.

Recommendation

Financial management

Scottish Ambulance Service's outturn position was achieved through the delivery of £9.9 million of efficiency savings. This included a number of Directorate Savings delivered across the board's service lines including those plans identified and delivered through Best Value initiatives. The outturn position includes £2.9 million of project slippage. The Scottish Government invested an additional £6.7 million in 2018/19 to support the delivery of "Towards 2020: Taking Care to the Patient". The £2.9 million relates to the elements of the funding received that was used to support the Scottish Ambulance Service's outturn position in year through slippage on the strategic project. While we recognise Scottish Ambulance Service continued to deliver its outcomes, it demonstrates the board's reliance on non-recurring savings and funding. It is critical that the board develop a sustainable operating model that delivers financial balance while supporting strategic investment. As part of this process there is an opportunity to review financial scrutiny arrangements to ensure these continue to provide oversight and scrutiny of financial performance.

Initial management response

The Board has developed a 3 year financial that demonstrates a sustainable financial position by 21/22. This plan will be implemented over the next three years with monitoring against progress reported monthly to the Board and weekly to the Executive Team. Any variations to the plan will also be highlighted and corrective action taken. This will be formally reviewed and updated on an annual basis.

Follow up – Recommendation superseded by Action agreed in 2019/20 Action plan

Scottish Ambulance Service faces significant financial challenges over the next three years. Management have identified cost pressures of £57.115 million. 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. The Board has established a three year financial plan aimed at delivering financial balance.

Annual Report and Accounts on website

Health boards are required to publish the annual report and accounts on the board's website. This supports public scrutiny and transparency of the board's performance. We found that the 2017/18 annual report and accounts link on the Scottish Ambulance Service does not work. We recommend that the link is updated to ensure that the accounts are publicly accessible through the website.

Initial management response

Accepted and has been corrected

Follow up – Recommendation is closed

Grant Thornton have confirmed the annual report and accounts link on the Scottish Ambulance Service website is working.

Recommendation

Performance monitoring

The Performance Report in the accounts has an important role in allowing users of the accounts, including the public, scrutinise and understand Scottish Ambulance Services performance during the year. For internal reporting, Management has developed a graphical dashboard report to senior management and the Board of operational performance. There is an opportunity to enhance the readability of the annual report and accounts through greater usage of this analysis tools. This could provide a more holistic view of Scottish Ambulance Service performance during the year.

Initial management response

The use of tableau dashboards has been agreed for implementation by March 2020. A dedicated resource has been in place and is working to a project plan and project group is in place

Follow up – Recommendation is closed

Grant Thornton have confirmed the dashboards have been incorporated into the Performance Report.

Audit 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 £
We confirm there are no non-audit fees for the 2019/20 External Audit	Nil

Client service

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

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 are included within this report.
- We confirm that we have implemented policies and procedures to meet the requirements of the FRC'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.

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 Scottish Ambulance Service'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.

Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below. This document, our Annual Report is issued prior to approval of the financial statements and presents key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of Scottish Ambulance Service's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures Set out within this report on pages 10 to 14.		•
Significant findings from the audit Set out in this report. Our conclusions on significant audit risks are set out on pages 8, 9 and 10.		•
Significant matters and issues arising during the audit and written representations that have been sought Letter of representation provided with the signed accounts. All significant matters identified are contained within this report.		•
Significant difficulties encountered during the audit None were encountered. The audit was 100% remote due to Covid-19 restrictions.		•
Significant deficiencies in internal control identified during the audit No significant deficiencies in control were identified. One minor point was agreed on journal templates which is within our recommendations.		•
Significant matters arising in connection with related parties No matters identified.		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements. None identified		•
Non-compliance with laws and regulations. None identified		•
Unadjusted misstatements and material disclosure omissions. None identified.		•
Expected modifications to the auditor's report, or emphasis of matter An emphasis of matter has been included in respect of property valuations.		•



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