

Annual Audit Letter

South Western Ambulance Service NHS Trust

Audit 2008/09

August 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of the Trust's financial statements and the results of the work I have undertaken to assess the Trust's arrangements to secure value for money in the use of its resources.

Financial Statements and Statement of Internal Control

- 1 Our audit of the financial statements was completed in June 2009. I reported the issues arising from the audit to the Audit Committee on the 5 June 2009. There were no material uncorrected errors although we noted a number of issues in relation to capital accounting. These have been reported to the Trust and action will be monitored as part of our 2009/10 audit. Following completion of the audit I issued an unqualified opinion on the financial statements.

Use of resources

- 2 I assess the Trust's arrangements to secure economy, efficiency and effectiveness in use of its resources against 12 criteria specified by the Audit Commission. I issued an unqualified conclusion stating that the Trust had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 3 The Auditor's Local Evaluation (ALE) assessment is a key part of this conclusion. This assesses the adequacy of the Trust's arrangements in five distinct areas. We are pleased to note that the Trust has continued to strengthen its arrangements for securing effective financial management, internal control and value for money. Whilst the scores for financial reporting and financial standing have reduced from the previous year, the overall assessment remains performing well.

Audit Fees

- 4 We reported our fee proposals as part of the Audit Plan and supplementary opinion letter for 2008/09. Table 1 reports the outturn fee against that plan.

Table 1 Audit fee

Audit area	Actual	Planned
Financial Statements and Internal control	£72,500	£72,500
Value for money work	£23,500	£23,500
Total audit fee	£96,000	£96,000

Independence

- 5 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial Statements and Statement of Internal Control

The Trust's financial statements and Statement of Internal Control are an important means by which the Trust accounts for its stewardship of public funds. I issued an unqualified opinion on the Trust's 2008/09 financial statements in June 2009.

Significant issues arising from the audit

- 6 My audit of the financial statements was completed in June 2009. The audit did not identify any material errors or misstatements in the Trust's accounts which were not amended. The audit identified a number of non-material issues which were highlighted to the Trust and not subsequently amended. These covered a range of disclosure notes and primarily related to capital accounting transactions.
 - 7 Following completion of the audit I issued an unqualified opinion on the financial statements. This was issued in advance of the submission deadline on 9 June 2009.
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Material weaknesses in internal control

- 8 I did not identify any significant weaknesses in the Trust's internal control arrangements.
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Accounting practice and financial reporting

- 9 I consider the qualitative aspects of the Trust's financial reporting. My audit did not identify any significant issues in this regard.

Use of resources

I considered how well the Trust is managing and using its resources to deliver value for money and gave a scored Auditors Local Evaluation (ALE) judgement. I also assessed whether the Trust put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Summary

- 10** In forming my scored ALE judgements, I have used the methodology set out in the '*ALE for Trusts*' guidance. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 11** I have also taken into account, where appropriate, findings from previous ALE assessments (updating these for any changes or improvements) and any other relevant audit work.
- 12** The Trust's ALE scores for the five key areas are shown in Table 1 below.

Table 2 ALE scores

Area	2008/09 score	2007/08 score
Financial management	3	3
Financial reporting	2	3
Financial standing	3	4
Internal control	3	3
Value for money	3	3

Financial management

- 13** The Trust's financial management arrangements have been further strengthened in 2008/09 and now fully meets the requirements of an organisation assessed as performing well. I am particularly pleased to note that the Trust has further improved its Medium Term Financial Strategy (MTFS) as part of its preparation for Foundation Trust (FT) status. Whilst cash management arrangements are currently considered appropriate, steps should be taken to ensure preparedness for the FT regime.

Use of resources

- 14 Managing performance against budgets continues to be strong within the Trust with good arrangements for monitoring and reporting variances. Cash releasing efficiency savings (CRES) plans are in place and were delivered. However, this will become harder in future years and, with this in mind, the Trust will need to consider more detailed reporting to the Board and wider consideration of recurring efficiency savings.
- 15 The Trust's estates strategy is appropriately linked to other strategies. The Board has received reporting of Key Performance Indicators (KPIs) although there is scope to improve the depth of these in future.

Financial reporting

- 16 I am pleased to note the positive approach the Trust has taken in engaging with us at an early stage in dealing with potentially complex accounting issues. I noted a number of improvements in the Trust's financial reporting arrangements. In particular the Trust submitted the statutory financial statements for audit in advance of the Department of Health deadline. In the context of the faster closure deadline this was a significant achievement for the Trust. Furthermore, a good set of working papers was provided in support of the statements and audit queries were dealt with in a prompt manner. However, as a result of the number of non-trivial errors identified during the audit and the harder test of this aspect of the assessment, the score has reduced from performing well to performing adequately.
- 17 The annual report submitted for audit was in line with the Department of Health's requirements. This has been achieved whilst delivering changes requested by stakeholders following a consultation process. Information about the environmental footprint of the Trust and further explanation about the financial position of the Trust to the public could be strengthened further.

Financial standing

- 18 The Trust has been assessed as performing well having achieved its in-year revenue and capital financial targets and has provided evidence to support its going concern assessment for the preparation of the accounts. However, during the year the Trust identified a difference in accounting treatment adopted by the predecessor organisations which affected its reported financial performance in the past two years. This resulted in it making a prior period adjustment in its 2008/09 accounts and its 2006/07 and 2007/08 position being reported as a deficit. Nevertheless, I am pleased to note that the Trust has responded well to this challenge by taking prompt action to manage its financial position and securing delivery of its statutory targets.
- 19 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. In particular there is an impact on the ability of public sector bodies to fund service delivery and capital programmes, including pressure on income streams. This will represent a major challenge for the Trust and sustained efforts in the identification and delivery of recurring efficiency savings will be required to achieve its 2009/10 financial and performance plans.

Internal control

- 20** The Trust continues to perform well in maintaining effective systems of internal control. Well established risk management and assurance framework arrangements have continued to operate effectively during the year and are embedded throughout the organisation. The Audit Committee provides good challenge and meets the requirements of guidance issued by the Department of Health. The Trust has appropriate codes of conduct and monitoring arrangements in place together with a counter fraud policy and Local Counter Fraud Specialist (LCFS) who plays an active role throughout the organisation and reports regularly to the Audit Committee.

Value for money

- 21** The Trust has made excellent progress this year by securing a number of improvements in its arrangements and achieving notable practice in certain areas. The Trust has a good business planning process in place which is continuing to improve as it moves towards FT status. Of particular note, is the Trust's strong call response performance which has improved considerably since September 2008.
- 22** The Trust has excellent arrangements in place to communicate with the public. Hard to reach groups have been targeted by various mechanisms including the use of other language translations. The trust has worked collaboratively and in partnership to engage widely with the general public and hard to reach groups. The Trust has been proactively involved in preventative health measures and has focused on maximising the most appropriate use of the service.
- 23** The Trust has very strong performance management arrangements which are demonstrating many aspects of notable practice. The Trust, however, continues to acknowledge there is a need to improve its data quality arrangements. I am pleased to note that appropriate plans are in place to do this.

VFM Conclusion

24 I assessed the Trust's arrangements to secure economy, efficiency and effectiveness in the use of its resources against criteria specified by the Audit Commission. This criteria covers the following areas.

- Set, review and implement strategic and operational objectives.
- Ensure that services meet the needs of users.
- Monitor and review performance.
- Ensure data quality.
- Maintain a sound system of internal control.
- Maintain risk management arrangements.
- Manage and improve value for money.
- Ensure the financial strategy is designed to deliver strategic priorities.
- Match resources and spending.
- Match performance against budget.
- Manage asset base.
- Ensure probity and propriety.

25 I assessed all of these as being met and issued an unqualified conclusion stating that the Trust had adequate arrangements in place.

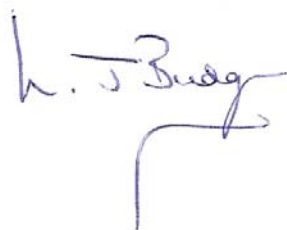
Closing remarks

- 26** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I presented this letter to the Audit Committee on 6 August 2009 and it will be presented to the Board in due course.
- 27** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Trust during the year.

Table 3 **2008/09 audit reports**

Report	Date issued
Audit Plan 2008/09	April 2009
Auditor's Local Evaluation Interim Report	June 2009
Supplementary Opinion Plan	June 2009
IFRS review of arrangements	June 2009
Annual Governance Report	June 2009
Auditor's report giving the opinion on the financial statements and value for money conclusion	June 2009
Annual Audit Letter including update on Auditor's Local Evaluation	August 2009

- 28** The Trust has taken a positive and constructive approach to our audit. I wish to thank the Trust and its staff for their support and co-operation during the audit.



Lee Budge
District Auditor
September 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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