
South Western Ambulance Service NHS Trust

Annual Audit Letter

Audit 2006/07

September 2007



External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Trust

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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

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Contents

Summary report	4
Key messages	4
Purpose, responsibilities and scope	5
Audit of the accounts	6
Accounting issues	6
Trust's use of resources	7
Value for money conclusion	7
Auditor's Local Evaluation judgement (including financial standing)	7
Specific risk based work	10
National Fraud Initiative	10
Closing remarks	11
Appendix 1 – Westcountry Ambulance Service NHS Trust	13
Audit of the accounts	13
Trust's use of resources	13
Specific risk based work	13
Reports relating to the 2006/07 audit	13
Appendix 2 – Dorset Ambulance NHS Trust	14
Audit of the accounts	14
Trust's use of resources	14
Specific risk based work	14
Reports relating to the 2006/07 audit	14

Summary report

Key messages

- 1 The 2006/07 financial year has been a unique and challenging period for NHS ambulance services in the south west. On 1 July 2006, Dorset Ambulance NHS Trust (DAT) and Westcountry Ambulance Services NHS Trust (WAST) merged and the South Western Ambulance Service NHS Trust (SWAST) was created. The merger was monitored closely by a joint project Board later to become the SWAST Board. During this difficult period the Trust maintained effective financial management arrangements and a strong financial position which resulted in the delivery of a surplus of £1.012 million.
- 2 I issued an unqualified opinion on the Trust's 2006/07 accounts in June 2007. In my opinion the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the year. Unqualified opinions were also issued in respect of the part-year accounts for DAT and WAST.
- 3 I concluded that the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources except in relation to the following two criteria:
 - the Trust did not put in place arrangements to manage its significant business risks; and
 - the Trust did not put in place arrangements for the management of its asset base.
- 4 The Trust was, however, in the process of introducing improved arrangements in these areas and took prompt action to ensure that these were in place for the 2007/08 financial year.
- 5 I assessed how well the Trust managed and used their resources in 2006/07 by providing scored judgements on its arrangements in five specific areas. Within this assessment, strengths were identified within the financial standing and financial reporting of the Trust. An action plan for continued improvement was developed by the Trust during April 2007. Although this overall assessment represents a maintaining of position since the 2005/06 assessment it reflects the continuation of effective controls during the challenging merger process.

Purpose, responsibilities and scope

- 6 This Annual Audit Letter summarises the key issues arising from our work carried out during the year. I have addressed this letter to the directors and members of the Trust as it is the responsibility of the Trust to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Trust in meeting its responsibilities.
- 7 The letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Trust is planning to publish on its website.
- 8 As your Appointed Auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Trust's accounts; and
 - whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 9 The Audit Commission also uses my assessments to provide scored judgements for the Healthcare Commission to use as part of its annual health check.
- 10 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that I consider the Trust should be addressing. I have listed the reports issued to the Trust relating to the 2006/07 audit at the end of this letter.

Audit of the accounts

- 11 I issued an unqualified opinion on the Trust's accounts on 21 June 2007, before the deadline set by the Department of Health. In my opinion the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the year.
- 12 Before giving my opinion I reported to those charged with governance, in this case the Audit Committee, on the issues arising from the 2006/07 audit. I issued this report on 7 June 2007.

Accounting issues

- 13 The quality of working papers was again high this year which contributed to the delivery of an efficient and timely audit process. There were no significant accounting issues which arose during the course of the audit, although a number of disclosure and non-trivial amendments were made to the accounts. These were reported within the Annual Governance Report presented to the Audit Committee.

Trust's use of resources

- 14 I am required conclude on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 15 I am also required to assess how well the Trust manages and uses its financial resources by providing scored judgements on the Trust's arrangements in five specific areas. This is known as the Auditor's Local Evaluation (ALE). The Audit Commission provides the scores to the Healthcare Commission (HC) to use as part of its annual health check.

Value for money conclusion

- 16 I concluded that the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources except in relation to two criteria as summarised below.
- The Trust did not put in place arrangements to manage its significant business risks.
 - This was as a result of the Trust not having an established Assurance Framework in place for the year until 29 March 2007 when it was approved by the Board. Since this date it should be noted that the Assurance Framework has been approved by the Board and reviewed by Internal Audit who concluded that it has been significantly improved.
 - The Trust did not put in place arrangements for the management of its asset base.
 - The Trust did not have an estates strategy in place during the year which covered the entirety of the newly merged organisation. We are pleased to note that a strategy was subsequently approved by the Board in June 2007.

Auditor's Local Evaluation judgement (including financial standing)

- 17 I am required to assess the Trust's arrangements in five areas and score each area on a scale of 1 to 4 (1= inadequate and below minimum standards, 2 = adequate, 3 = performing well and 4 = performing strongly). I issued an initial report for three of the five areas supporting our assessment and highlighting areas for improvement to the Trust in June 2007.

Table 1 ALE scores

Area	Assessment
Financial reporting	3
Financial management	2
Financial standing	3
Internal control	2
Value for money	2

18 A summary of our key findings in each of these areas is shown below.

Financial reporting

19 A full set of accounts, working papers and annual report was submitted for audit in line with national requirements. All were to a high standard and audit queries were dealt with promptly. The Trust undertook consultation during the year with other public sector bodies and their key stakeholders to consider the annual report and have tailored this year's report in response. Copies of Board papers, reports, minutes are produced on timely basis on the Trust's internet site.

Financial management

20 The Trust has strong financial management arrangements. It has succeeded in reporting a consolidated financial position showing financial balance since merger. During the year the Trust has consistently forecast achievement of the surplus required by the SHA. A strong budgetary control system has aided this position. The Trust did not have a medium term financial strategy in 2006/07. It has, however, focused its attention on establishing arrangements for 2007/08 onwards and has approved a strategic direction document and business plan, which includes five year financial projections. The Trust has also since approved an overarching Estates Strategy.

Financial standing

- 21 The Trust has maintained a strong financial standing position throughout the period of the merger of Westcountry Ambulance Services NHS Trust (WAST) and Dorset Ambulance NHS Trust (DAT) and achieved a surplus at the end of the 2006/07 financial year. For 2007/08 the Trust has a cash releasing efficiency savings (CRES) target of £2.5 million and, as at July 2007, has achieved £506,000. This comprises of £1 million savings following the merger of the two previous trusts and an additional £1.5 million developed by the value for money Committee. Some slippage against the CRES plan has been noted and the Trust is developing contingency plans to stay on track.

Internal control

- 22 Risk management and assurance framework processes within the Trust are now established, however, the Trust needs to continue to embed these through the organisation. The Audit Committee is proactive in seeking and responding to assurances. LCFS provision within the Trust is stretched although there has been appropriate LCFS accreditation during 2006/07 and additional resources are now agreed for 2007/08. The fraud and whistleblowing policies and procedures require consolidation during 2007/08. Codes of conduct and arrangements for monitoring their compliance are in place.

Value for money

- 23 The Trust has put in place adequate arrangements for securing strategic and operational objectives and ensuring that services meet the needs of patients and taxpayers, and for engaging with the wider community. These arrangements will be enhanced in 2007/08 by the introduction of more effective complaints procedures and wider communication with patients, carers, stakeholders and the wider community. The Trust is establishing its arrangements for monitoring and reviewing performance, including arrangements to ensure data quality although further progress can be made in this area. Whilst there are arrangements for ensuring accuracy of the operational performance, the Trust acknowledged within its Information Governance assessment (to March 2007) that its overall arrangements for data quality only partially complied with the NHS requirements. The Trust has established arrangements for managing its financial and other resources which demonstrate value for money is being managed and achieved.

Specific risk based work

- 24 I carried out an initial review of the merger process. This report made a number of comments for consideration as the project progressed. It was subsequently followed-up and reported to the Audit Committee. There were no significant issues arising from the work in this area.

National Fraud Initiative

- 25 The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 26 The Trust has allocated staff to the review of the data matches and has undertaken a review of almost all high priority cases. Most cases have been successfully cleared and no investigations have yet been required.

Closing remarks

- 27 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present the letter at the Board on 27 September 2007 and will provide copies to all Board members.
- 28 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Trust during the year.

Table 2 Reports relating to the 2006/07 audit

	WAST	DAT	SWAST
Audit plan	May 2006	May 2006	February 2007
Report to those charged with governance	February 2007	February 2007	June 2007
Opinion on financial statements	June 2007	May 2007	June 2007
Value for money conclusion	-	-	June 2007
Auditors' Local Evaluation	-	-	September 2007
Final accounts memorandum	February 2007	-	-
Interim accounts memorandum	-	-	June 2007
Annual audit letter	September 2007	September 2007	September 2007

- 29 The Trust has taken a positive and constructive approach to our audit, and I would like to formally express my thanks for the support and co-operation we have received during the course of the audit.

Lee Budge
Engagement Lead

September 2007

Appendix 1 – Westcountry Ambulance Service NHS Trust

Audit of the accounts

- 1 I issued an unqualified opinion on the Trust's accounts on 21 June 2007, before the deadline set by the Department of Health. In my opinion the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the period to 30 June 2006.
- 2 Before giving my opinion I reported to those charged with governance, in this case the Audit Committee, on the issues arising from the 2006/07 audit. I issued this report in February 2007. There are no significant issues which require repeating in this letter.

Trust's use of resources

- 3 I was not required to conclude on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during this part-year period to 30 June 2006. Therefore there was no value for money conclusion.
- 4 I was also not required to assess how well NHS organisations manage and use their financial resources by providing scored judgements on the Trust's arrangements, known as the Auditor's Local Evaluation (ALE) for the part-year period.

Specific risk based work

- 5 During the period, we undertook a review of the merger process as detailed in the main body of this letter in paragraph 24. We did not undertake any additional specific risk based work.

Reports relating to the 2006/07 audit

- 6 Detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Trust during the year. These are detailed in the main body of the report at Table 2.

Appendix 2 – Dorset Ambulance NHS Trust

Audit of the accounts

- 1 An unqualified opinion was issued by DAT's auditors, Mazars, on the Trust's accounts on 17 May 2007, before the deadline set by the Department of Health. The opinion concluded that the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the period to 30 June 2006.
- 2 Before giving this opinion Mazars reported to those charged with governance, in this case the Audit Committee, on the issues arising from the 2006/07 audit. This report was issued in February 2007. There are no significant issues which require repeating in this letter.

Trust's use of resources

- 3 There was no requirement to conclude on whether the Trust had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during this part-year period to 30 June 2006. Therefore there was no value for money conclusion.
- 4 Neither was there a requirement to assess how well NHS organisations manage and use their financial resources by providing scored judgements on the Trust's arrangements, known as the Auditor's Local Evaluation (ALE) for the part-year period.

Specific risk based work

- 5 No additional specific risk based work was undertaken during the period.

Reports relating to the 2006/07 audit

- 6 Detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Trust during the year. These are detailed in the main body of the report at Table 2.