
South Central Ambulance Service NHS Trust

Annual Audit Letter

Audit 2006/07

October 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 explain 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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Purpose, responsibilities and scope

- 1 The purpose of this the Annual Audit Letter (letter) is to summarise the key issues arising from the work that we have carried out during the year. Although this letter is addressed to the directors of the Trust, it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at <http://www.audit-commission.gov.uk> and also on the Trust website.
- 2 This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

The responsibilities of the auditor and the Trust

- 3 We have been appointed as the Trust's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public sector bodies in England, including NHS trusts.
- 4 As the Trust's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Trust achieving its objectives. It is the responsibility of the Trust to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Trust is fulfilling these responsibilities.

The scope of our work

- 5 We plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to 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.
- 6 In addition to this, we use our assessments to provide scored judgements for the Healthcare Commission to use as part of its annual health check.

- 7 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that we consider should be addressed by the Trust. A list of all reports issued to the Trust in relation to the 2006/07 audit is provided in the closing remarks section at the end of this letter.

Key messages

Background

- 8 South Central Ambulance Service NHS Trust was created on 1 July 2006. The Trust was formed out of the merger of the former Hampshire Ambulance Service NHS Trust, Royal Berkshire Ambulance NHS Trust, Oxfordshire Ambulance NHS Trust, and the Buckinghamshire part of the Two Shires Ambulance NHS Trust.
- 9 The merger arose from the major NHS reforms contained within 'Creating a Patient Led NHS' published on 17 March 2005 and 'Taking Healthcare to the Patient – Transforming NHS Ambulance Services' published 30 June 2005.
- 10 The new Trust serves a resident population of approximately 4 million and covers an area of 4,600 square miles, incorporating the counties of Hampshire, Berkshire, Oxfordshire and Buckinghamshire. The Trust has implemented an initial division structure. Each division is led by a Divisional Director, providing a local focus for access and service delivery. This structure was in response to the key messages that arose from the Public Consultations that took place prior to the merger decision being announced.
- 11 The re-organisation of Ambulances services is intended to achieve a transformation in the role of ambulance services away from a purely transport service to a mobile healthcare provider capable of 'treating' patients both in terms of telephone advice and face to face. Delivering this new service model will present a major challenge and will require investment in the management of clinical services, education and staff development.
- 12 Following the merger of the former bodies, the top priority for the Trust has been to maintain 'business as usual' over a potentially disruptive period. Over the nine month period the Trust has not been able to achieve the key national targets. However, response times to patients presenting with an immediately life threatening condition have improved in three out of the four counties, despite an increase in overall workload of around 7 per cent.

Key conclusions from our audit work

- 13 Overall, given the challenges, we are pleased to note that the new Trust has already managed to implement a solid basis to internal control and meeting risk management standards. The sound and pragmatic approach to the merger has helped to establish a good foundation for the future.

- 14 This letter summarises our work and issues arising from all reports this year. The following table identifies the key messages and action areas we wish to bring to the attention of the Trust Board.

Table 1 Key conclusions and required actions

Area	Issue/conclusion	Recommended action
Accounting issues	We were able to issue unqualified audit opinions on your main financial statements by 21 June 2006 to meet the DoH submission deadlines.	<p>The Trust should establish an annual process for assessing and transferring excess depreciation from the Revaluation Reserve to the I&E Reserve.</p> <p>Draft accounts must be supported by a comprehensive set of workings providing a clear audit trail.</p> <p>The minor internal control issues identified during our work should be addressed by the Trust as it moves to single systems for the Trust as a whole.</p>
Financial standing	The Trust made a £252,000 surplus against break-even for the year. Other key financial targets for capital resources, external financing and capital absorption were achieved.	The Board must continue to monitor progress against budgets and ensure future spending plans are in line with the financial strategy and break even responsibilities.
Value for money (VFM) conclusion	We issued an unqualified value for money opinion on 21 June 2007.	The Board must continue its monitoring and review of key milestones on integration and develop a process and timetable for formal evaluation of the benefits realised from the merger, for both the Trust and stakeholders

Area	Issue/conclusion	Recommended action
Auditor's local evaluation (ALE)	The overall assessment indicates that the Trust's arrangements overall are meeting the minimum requirements - an adequate level of performance. This represents a significant achievement given the change agenda being addressed as part of the merger and the disruption caused to staff and systems over this period.	The Board needs to monitor progress and outcomes against the ALE action plan to improve scores and establish a process for self assessment and gathering of appropriate evidence in advance of future assessment.
Part year accounts of demising bodies	The accounts of the demising Trusts have been correctly merged within the accounts of South Central Ambulance Service full year accounts under the principles of merger accounting described by the Department of Health.	<p>Statutory Annual Audit Letters for the demised bodies of Royal Berkshire Ambulance, Oxfordshire Ambulance and Two Shires Ambulance services are attached as appendices 1 to 3 of this letter. They are included here as South Central Ambulance is the formal successor body to whom these reports should be made.</p> <p>The Annual Audit Letter for the demised Hampshire Ambulance Service NHS Trust will be provided by the auditors of the former Trust.</p>

Audit of the accounts

- 15 We were able to issue an unqualified opinion on the Trust's accounts on 21 June 2007, meeting the deadline set by the Department of Health. The accounts for 2006/07 were prepared on a merger accounting basis and include the part year accounts for the demised bodies, after disaggregation of amounts in respect of Two Shires Ambulance Service that transferred to East Midlands Ambulance Service NHS Trust as part of the merger process. In our opinion, the accounts give a true and fair view of the Trust's financial affairs and of the income and expenditure recorded by the Trust during the year.
- 16 Before we give our opinion on the accounts, we are required to report to those charged with governance, in this case the Trust's audit committee, significant matters arising from the audit. A detailed annual governance report was issued on 19 June 2006 and only the key issues are summarised here.

Accounting issues

- 17 The annual accounts were produced on time. The accounts were produced on a divisional basis and then consolidated. In most cases the draft accounts were supported by a complete set of working papers. However, within the Hampshire division the working papers supplied were not adequate to provide a clear audit trail. The Trust responded well to our requests for further information and we were able to obtain the evidence we required to support our opinion.
- 18 There was one material adjustment agreed to the draft accounts to correct for a £5m difference between the comparative balance sheet figures included in the 2006/07 accounts for East Midlands Ambulance Service and South Central Ambulance Service and the total of the balances in the 2005/06 audited accounts for the predecessor trusts.
- 19 The latest guidance from the Department of Health indicated there must be consistency between the two sets of accounts to prevent any issues arising in the aggregation of the NHS accounts. This guidance indicated that balances should be restated in opening balances to reflect the transfer of assets where one former body was split between two new Trusts. In line with earlier guidance and interpretations South Central Ambulance Trust had treated the disaggregation of Two Shires balances as an in year transaction.
- 20 The draft accounts were amended to correct this and ensure consistency between NHS bodies. There was no impact on the income and expenditure accounts from this adjustment and we are satisfied that the closing balance sheet position is materially correct.

- 21 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial in nature. There was one unadjusted misstatement reported in our governance report.
- 22 The Trust had not made a transfer between the Revaluation Reserve and the Income and Expenditure (I&E) Reserve in relation to the 'excess' depreciation that relates to depreciation of fixed asset values over the depreciation charge as would be applied based on historic cost. This adjustment is required by the Capital Accounting Manual.
- 23 Although this issue does not impact on the total level of reserves, it may lead the Trust to retain balances on the Revaluation Reserve in relation to fixed assets which are fully depreciated. As revaluation reserves and I&E reserves were eliminated part way through the financial year with the merger the issue was not material for 2006/07. However, there is a requirement to annually transfer amounts relating to excess depreciation between reserves to fully comply with the NHS Capital Accounting Manual.

Recommendations

R1 The Trust should review the fixed asset register and establish an annual process for assessing and transferring excess depreciation over historic cost depreciation from the Revaluation Reserve to the I&E Reserve.

R2 The Trust must ensure that the draft accounts presented for audit are supported by a comprehensive set of workings providing a clear trail between the accounts and the underlying records of the Trust.

- 24 The audit work we carried out on financial systems did not reveal any issues likely to lead to a material misstatement in the accounts. Preparing accounts for a part year period and applying the guidance on merger accounting presented a number of difficulties that do not arise at the normal year end date. We agreed with directors a number of other minor amendments to make the presentation of the accounts as meaningful as possible in the context of this unusual period.
- 25 We have identified a number of minor internal control issues during our work that need to be addressed by management. These issues related to lapses in procedures and were as a result of the staff upheaval during the close down period and the operation of four sets of divisional systems during the nine month period. The transfer to single systems and the restructuring of the finance department as the new systems are implemented will address the weaknesses noted.

Recommendation

R3 The minor internal control issues identified during our work should be addressed by the Trust as it moves to single systems for the Trust as a whole.

Financial standing

- 26 The Trust fulfilled all of its statutory financial duties for 2006/07. This was a sound achievement given the financial position within the wider health economy and the challenge of managing the merger process and the potential for financial control to break down.
- 27 Overall, the Trust recorded a final surplus of £252,000, representing 0.25 per cent of turnover and within the Department of Health materiality criterion for break-even performance. This position was achieved after making additional repayments of prior financial support.
- 28 The Trust has established a good base for delivering its future financial targets. A medium term financial strategy has been produced and adopted by the Board. This indicates that the Trust is expecting to achieve break-even over the next three years.
- 29 Financial reports to the Board on the 2007/08 position as at June 2007 show that the Trust is on track to meet its financial projections for the year, although there remain some potential income and expenditure risks that will need to be kept under continual review.

Recommendation

R4 The Board must continue to monitor progress against budgets and ensure future spending plans are in line with the financial strategy and break even responsibilities. Plans also need to demonstrate the flexibility to be able to invest potential surpluses back into service development.

Trust's use of resources

- 30 We are required to issue a conclusion on whether we are satisfied that 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.
- 31 We are also required to assess how well NHS organisations manage and use their 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).

Value for money conclusion

- 32 We concluded that the Trust had proper arrangements in place to secure value for money in the use of resources. Our assessment for 2006/07 was based primarily on the information gathered as part of our ALE work. Our conclusion was also supported by the findings and conclusions from work undertaken as part of our 2006/07 part year audit of the demising bodies focussing on merger preparations and workstreams.
- 33 From our review of the Statement of Internal Control and the 'Annual Report' for the period 1 April 2006 to 31 March 2007, no matters have come to our attention that we wish to report in relation to economy, efficiency and effectiveness.
- 34 The Trust has established a sound assurance framework and risk management process. This is linked to the business planning process and is monitored through key milestones. However, we noted there were some actions identified in the merger workstream documents and the milestones tracker where integration tasks have not yet been fully completed. These need to be kept under review.

Recommendation

R5 The Board must continue its monitoring and review of key milestones on integration and develop a process and timetable for formal evaluation of the benefits realised from the merger, for both the Trust and stakeholders.

Auditor's Local Evaluation (ALE)

- 35 We assessed the Trust's arrangements in five areas. Each area was scored from 1 to 4 (1= below minimum requirements – inadequate performance, 2 = meets minimum requirements – adequate performance, 3 = consistently above minimum requirements – performing well and 4 = well above minimum requirements – performing strongly).
- 36 An ALE report supporting our assessment and highlighting areas for improvement was presented to the Audit Committee 2 August 2007. This report highlighted those key areas where action is required by the Trust to improve scores for future assessments.
- 37 The scores included in the ALE report have all been moderated through the Audit Commission's national quality control programme for ALE and validated. The scores for each of the five key lines of enquiry (KLOE) areas are set out in the table below. Overall this equates to a score of 2 to feed into the Healthcare Commission's annual health check.

Table 2 South Central Ambulance Service NHS Trust - ALE scores

Area	Score	Recommended action
Financial reporting	2	Details included in ALE report.
Financial management	2	Details included in ALE report.
Financial standing	2	Details included in ALE report.
Internal control	2	Details included in ALE report.
Value for money	2	Details included in ALE report.

- 38 Our assessments have been made against expected standards published by the Audit Commission in agreement with the Healthcare Commission. No significant weaknesses have been identified but there are a number of recommendations in our detailed ALE report to improve scores for future periods.
- 39 The Trust has managed to maintain the overall scores for key lines of enquiry at the same levels achieved by the former trusts. This represents a significant achievement given the change agenda being addressed as part of the merger and the disruption caused to staff and systems over this period. The overall assessment indicates that the Trust's arrangements overall are meeting the minimum requirements - an adequate performance level of performance.

- 40 This achievement was a result of the Trust taking a proactive and realistic approach to the ALE scoring process. Key documents and strategies were approved by the Board early in the process and key areas of the control environment such as risk management and the assurance framework were brought together from the former bodies promptly. In addition, the pragmatic approach of continuing to operate with the former structures and procedures as divisions of the new Trust ensured there was no significant loss of continuity of previous performance.
- 41 A number of the elements of the KLOEs are likely to be able to demonstrate improved scores in future assessment by virtue of the passage of time enabling systems and procedures to become embedded. Key areas for the Trust to address in order to raise the overall scoring against individual KLOE areas are identified and actions to secure improvements are set out in our interim report.
- 42 A number of these actions are already underway or being considered by the Trust. However, the Board needs to start planning now for improvements in 2007/08 scores. The ALE action plan should be used to monitor progress and to establish a process for self assessment and gathering of appropriate evidence in advance of our next annual assessment in December 2007.

Recommendation

R6 The Board needs to monitor progress and outcomes against the ALE action plan to improve scores and establish a process for self assessment and gathering of appropriate evidence in advance of future assessment.

Closing remarks

- 43 This letter has been discussed and agreed with the Chief Executive and Director of Finance of the new South Central Ambulance Service NHS Trust. The letter will also be presented to the South Central Ambulance Service NHS Trust Audit Committee on 4 October 2007. Copies of the final letter will be provided to all Board members and published on the Audit Commission website.
- 44 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. These are listed in Table 3 below. These reports are presented to and discussed with the Audit Committee prior to being made final.

Table 3 Reports issued in relation to the 2005/06 audit

Planned output	Actual date of issue
Audit plan	July 2006
Annual governance report	June 2007
Opinion on financial statements	June 2007
Value for money conclusion	July 2007
Final accounts memorandum	September 2007
Auditors' local evaluation - Interim	August 2007
Auditors' local evaluation - Final Report	October 2007
Annual audit letter	October 2007

- 45 The Trust has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the assistance and co-operation of the Board, directors and staff.

Maria Grindley
Engagement Lead

October 2007

Copies of this report are available on both the Audit Commission's and the Trust's web sites:

www.audit-commission.gov.uk

www.southcentralambulance.nhs.uk

Appendix 1 – Royal Berkshire Ambulance Service NHS Trust (Demised)

Annual Audit Letter for 2006/07 Part Year

The purpose of this letter

- 1 The purpose of this the Annual Audit Letter (letter) is to summarise the key issues arising from the work that we carried out on the audit of the final part year of the demising Trust.
- 2 This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

The scope of our work

- 3 We plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, for the part year of demising Trust's we were only required to review and report our opinion on the Trust's accounts.

Background

- 4 Royal Berkshire Ambulance Service NHS Trust demised with effect from 30 June 2007 and together with the former Hampshire Ambulance Service NHS Trust, Oxfordshire Ambulance Service NHS Trust, and the Buckinghamshire part of the Two Shires Ambulance Service NHS Trust merged to form the new South Central Ambulance Service NHS Trust on 1 July 2006.
- 5 The merger arose from the major NHS reforms contained within 'Creating a Patient Led NHS' published on 17 March 2005 and 'Taking Healthcare to the Patient – Transforming NHS Ambulance Services' published 30 June 2005. Under the merger accounting rules applied by the department of health demising bodies had to prepare financial statements for the part year of operation. These accounts were then included within a full 12 month set of accounts prepared by the newly merged trust.

Key conclusions from our audit work

- 6 We have completed our audit of the part year of the demising trust. The following table identifies the key messages we wish to bring to the attention of the Trust Board.

Table 4 Key conclusions and required actions

Area	Issue/conclusion	Recommended action
Accounting issues	We were able to issue unqualified audit opinions on the part year financial statements by 21 June 2006 to meet the DoH submission deadlines.	There were no significant matters arising from our work that we felt needed to be drawn to the attention of the Audit Committee or the Trust Board.

The audit of the accounts

- 7 We were able to issue an unqualified opinion on the former Trust’s accounts on 21 June 2007, meeting the deadline set by the Department of Health. The accounts for 2006/07 part year were prepared on a merger accounting basis and were included in the full year accounts for the new South Central Ambulance Service NHS Trust as part of the merger process. In our opinion, the accounts give a true and fair view of the Trust’s financial affairs and of the income and expenditure recorded by the Trust during the period to 30 June 2006.
- 8 Before we give our opinion on the accounts, we are required to report to those charged with governance, in this case the Trust’s audit committee, significant matters arising from the audit. A detailed annual governance report for the part year audit of demising bodies was issued in January 2007 and only the key issues are summarised here.

Accounting issues

- 9 The accounts for the part year were produced in a timely manner. The draft accounts were supported by a complete set of working papers adequate to provide a clear audit trail. The Trust responded well to our requests for further information and we were able to obtain the evidence we required to support our opinion.
- 10 There were no material adjustments required to the draft accounts and no unadjusted misstatements.
- 11 The audit work we carried out on financial systems did not reveal any issues likely to lead to a material misstatement in the accounts. Preparing accounts for a part year period and applying the guidance on merger accounting presented a number of difficulties that do not arise at the normal year end date. We agreed with directors a number of other minor amendments to make the presentation of the accounts as meaningful as possible in the context of this unusual period.

Financial standing

- 12 For the part year of demising Trusts there was no requirement to formally assess the position against NHS Trust statutory financial duties. However, we noted that a sound financial position had been achieved. This placed the new Trust in a good position to ensure statutory targets were achieved across the merged accounts.

The Trust's use of resources

- 13 For the part year of the demising Trust we were not required to issue a conclusion on whether we are satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) or assess against ALE standards.
- 14 From our review of the Statement of Internal Control and the 'Annual Report' for the period 1 April 2006 to 30 June 2006 (included as appendix to South Central Ambulance Service NHS Trust Annual Report), no matters have come to our attention that we wish to report in relation to economy, efficiency and effectiveness.

Closing remarks

- 15 This letter has been discussed and agreed with the Chief Executive and Director of Finance of the new South Central Ambulance Service NHS Trust. The letter will also be presented to the South Central Ambulance Service NHS Trust Audit Committee on 4 October 2007 as successor body.
- 16 Copies of the final letter will be provided to all Board members and published on the Audit Commission website.

Maria Grindley
Engagement Lead

October 2007

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Appendix 2 – Oxfordshire Ambulance Service NHS Trust (Demised)

Annual Audit Letter for 2006/07 Part Year

The purpose of this letter

- 1 The purpose of this the Annual Audit Letter (letter) is to summarise the key issues arising from the work that we carried out on the audit of the final part year of the demising Trust.
- 2 This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

The scope of our work

- 3 We plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, for the part year of demising Trust's we were only required to review and report our opinion on the Trust's accounts.

Background

- 4 Oxfordshire Ambulance Service NHS Trust demised with effect from 30 June 2007 and together with the former Hampshire Ambulance Service NHS Trust, Royal Berkshire Ambulance Service NHS Trust, and the Buckinghamshire part of the Two Shires Ambulance Service NHS Trust merged to form the new South Central Ambulance Service NHS Trust on 1 July 2006.
- 5 The merger arose from the major NHS reforms contained within 'Creating a Patient Led NHS' published on 17 March 2005 and 'Taking Healthcare to the Patient – Transforming NHS Ambulance Services' published 30 June 2005. Under the merger accounting rules applied by the department of health demising bodies had to prepare financial statements for the part year of operation. These accounts were then included within a full 12 month set of accounts prepared by the newly merged trust.

Key conclusions from our audit work

- 6 We have completed our audit of the part year of the demising trust. The following table identifies the key messages we wish to bring to the attention of the Trust Board.

Table 5 Key conclusions and required actions

Area	Issue/conclusion	Recommended action
Accounting issues	We were able to issue unqualified audit opinions on the part year financial statements by 21 June 2006 to meet the DoH submission deadlines.	There were no significant matters arising from our work that we felt needed to be drawn to the attention of the Audit Committee or the Trust Board.

The audit of the accounts

- 7 We were able to issue an unqualified opinion on the former Trust’s accounts on 21 June 2007, meeting the deadline set by the Department of Health. The accounts for 2006/07 part year were prepared on a merger accounting basis and were included in the full year accounts for the new South Central Ambulance Service NHS Trust as part of the merger process. In our opinion, the accounts give a true and fair view of the Trust’s financial affairs and of the income and expenditure recorded by the Trust during the period to 30 June 2006.
- 8 Before we give our opinion on the accounts, we are required to report to those charged with governance, in this case the Trust’s audit committee, significant matters arising from the audit. A detailed annual governance report for the part year audit of demising bodies was issued in January 2007 and only the key issues are summarised here.

Accounting issues

- 9 The accounts for the part year were produced in a timely manner. The draft accounts were supported by a complete set of working papers adequate to provide a clear audit trail. The Trust responded well to our requests for further information and we were able to obtain the evidence we required to support our opinion.
- 10 There were no material adjustments required to the draft accounts and no unadjusted misstatements.

- 11 The audit work we carried out on financial systems did not reveal any issues likely to lead to a material misstatement in the accounts. Preparing accounts for a part year period and applying the guidance on merger accounting presented a number of difficulties that do not arise at the normal year end date. We agreed with directors a number of other minor amendments to make the presentation of the accounts as meaningful as possible in the context of this unusual period.

Financial standing

- 12 For the part year of demising Trusts there was no requirement to formally assess the position against NHS Trust statutory financial duties. However, we noted that a sound financial position had been achieved. This placed the new Trust in a good position to ensure statutory targets were achieved across the merged accounts.

The Trust's use of resources

- 13 For the part year of the demising Trust we were not required to issue a conclusion on whether we are satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) or assess against ALE standards.
- 14 From our review of the Statement of Internal Control and the 'Annual Report' for the period 1 April 2006 to 30 June 2006 (included as appendix to South Central Ambulance Service NHS Trust Annual Report), no matters have come to our attention that we wish to report in relation to economy, efficiency and effectiveness.

Closing remarks

- 15 This letter has been discussed and agreed with the Chief Executive and Director of Finance of the new South Central Ambulance Service NHS Trust. The letter will also be presented to the South Central Ambulance Service NHS Trust Audit Committee on 4 October 2007 as successor body.

- 16 Copies of the final letter will be provided to all Board members and published on the Audit Commission website.

Maria Grindley
Engagement Lead

October 2007

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Appendix 3 – Two Shires Ambulance Service NHS Trust (Demised)

Annual Audit Letter for 2006/07 Part Year

The purpose of this letter

- 1 The purpose of this the Annual Audit Letter (letter) is to summarise the key issues arising from the work that we carried out on the audit of the final part year of the demising Trust.
- 2 This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

The scope of our work

- 3 We plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, for the part year of demising Trust's we were only required to review and report our opinion on the Trust's accounts.

Background

- 4 Two Shires Ambulance NHS Trust demised with effect from 30 June 2007 and the Buckinghamshire element of the Trust, together with the former Hampshire Ambulance Service NHS Trust, Oxfordshire Ambulance Service NHS Trust, and the Royal Berkshire Ambulance Service NHS Trust merged to form the new South Central Ambulance Service NHS Trust on 1 July 2006.
- 5 The merger arose from the major NHS reforms contained within 'Creating a Patient Led NHS' published on 17 March 2005 and 'Taking Healthcare to the Patient – Transforming NHS Ambulance Services' published 30 June 2005. Under the merger accounting rules applied by the department of health demising bodies had to prepare financial statements for the part year of operation. These accounts were then included within a full 12 month set of accounts prepared by the newly merged trust.

Key conclusions from our audit work

- 6 We have completed our audit of the part year of the demising trust. The following table identifies the key messages we wish to bring to the attention of the Trust Board.

Table 6 Key conclusions and required actions

Area	Issue/conclusion	Recommended action
Accounting issues	We were able to issue unqualified audit opinions on the part year financial statements by 21 June 2006 to meet the DoH submission deadlines.	There were no significant matters arising from our work that we felt needed to be drawn to the attention of the Audit Committee or the Trust Board.

The audit of the accounts

- 7 We were able to issue an unqualified opinion on the former Trust’s accounts on 21 June 2007, meeting the deadline set by the Department of Health. The accounts for 2006/07 part year were prepared on a merger accounting basis and were included in the full year accounts for the new South Central Ambulance Service NHS Trust as part of the merger process. In our opinion, the accounts give a true and fair view of the Trust’s financial affairs and of the income and expenditure recorded by the Trust during the period to 30 June 2006.
- 8 Before we give our opinion on the accounts, we are required to report to those charged with governance, in this case the Trust’s audit committee, significant matters arising from the audit. A detailed annual governance report for the part year audit of demising bodies was issued in January 2007 and only the key issues are summarised here.

Accounting issues

- 9 The accounts for the part year were produced in a timely manner. The draft accounts were supported by a complete set of working papers adequate to provide a clear audit trail. The Trust responded well to our requests for further information and we were able to obtain the evidence we required to support our opinion.
- 10 There were no material adjustments required to the draft accounts and no unadjusted misstatements.

- 11 The audit work we carried out on financial systems did not reveal any issues likely to lead to a material misstatement in the accounts. Preparing accounts for a part year period and applying the guidance on merger accounting presented a number of difficulties that do not arise at the normal year end date. We agreed with directors a number of other minor amendments to make the presentation of the accounts as meaningful as possible in the context of this unusual period.

Financial standing

- 12 For the part year of demising Trusts there was no requirement to formally assess the position against NHS Trust statutory financial duties. However, we noted that a sound financial position had been achieved. This placed the new Trust in a good position to ensure statutory targets were achieved across the merged accounts.

The Trust's use of resources

- 13 For the part year of the demising Trust we were not required to issue a conclusion on whether we are satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) or assess against ALE standards.
- 14 From our review of the Statement of Internal Control and the 'Annual Report' for the period 1 April 2006 to 30 June 2006 (included as appendix to South Central Ambulance Service NHS Trust Annual Report), no matters have come to our attention that we wish to report in relation to economy, efficiency and effectiveness.

Closing remarks

- 15 This letter has been discussed and agreed with the Chief Executive and Director of Finance of the new South Central Ambulance Service NHS Trust. The letter will also be presented to the South Central Ambulance Service NHS Trust Audit Committee on 4 October 2007 as successor body.

- 16 Copies of the final letter will be provided to all Board members and published on the Audit Commission website.

Maria Grindley
Engagement Lead

October 2007

Copies of this report are available on both the Audit Commission's and the Trust's web sites:

www.audit-commission.gov.uk

www.southcentralambulance.nhs.uk