

Annual Audit Letter

South Central Ambulance Service NHS Trust

Audit 2008/09

September 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 your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 I issued an audit report including an unqualified opinion on the financial statements on 11 June 2009 and this met the NHS deadline for reporting on your accounts.
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Use of resources

- 2 I issued a value for money conclusion stating that the Trust had adequate arrangements to secure economy, efficiency, and effectiveness in the use of resources, on 11 June 2009 and by the deadline of 12 June 2009.
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Economic downturn and pressure on the public sector

- 3 The economic downturn and banking crisis is having a significant impact on public finances and the bodies that manage them. The impact in some areas has been immediate but there are wider and longer term impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressure on income streams. The NHS is unlikely to escape these financial pressures and it is important that the Trust is well prepared to meet these challenges and that the medium term financial plans are reviewed to ensure they reflect any changes in the local health economy.
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Implementation of IFRS

- 4 We assessed your preparation for IFRS as being on track and included this assessment in our return to the Department of Health. We will follow up our initial assessment of your arrangements when we come to audit the restatement of your opening balances in October 2009.
-

Audit Fees

- 5 In our original audit plan, the estimated fee for the 2008/09 audit was £127,500. I am pleased to confirm that we have not required a supplementary fee to complete the audit work. A breakdown of the final audit fee is shown in Table 1.
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Table 1 **Audit fees**

	Actual	Planned
	£	£
Opinion work	88,140	88,140
Value for money work	39,360	39,360
Total audit fees	127,500	127,500
Non-audit work	0	0
Total	127,500	127,500

Actions

- 6** Recommendations are shown within the body of this report and have been agreed with officers and the Audit Committee.

Independence

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

Recommendation

- R1** The Trust needs to ensure that it keeps its Medium Term Financial Strategy under review and up to date to reflect the economic downturn and potential changes in the local health economy.

Financial statements and statement on internal control

The Trust's financial statements and statement on internal control are an important means by which the Trust accounts for its stewardship of public funds.

Significant issues arising from the audit

- 8 The one significant issue I raised with Trust management and the Audit Committee was the appropriate disclosure of £1m cash transferred to Buckinghamshire Hospitals NHS Trust. The nature of this transfer in my view made it a loan transaction whereas the accounts disclosed it as a debtor. Your interpretation of the transaction was that it was a short pay on the Service Level Agreement (SLA) with them to be fully recovered early in the New Year.
 - 9 During discussion at the Audit Committee you opted not to amend the accounts and minuted your decision and provided us with management representation to this effect. This item was not material and had no impact on giving my opinion
 - 10 The draft financial statements were prepared and submitted in accordance with new reporting timetable.
-

Weaknesses in internal control

- 11 Whilst not impacting on our opinion in 2008/09 we did note two significant failures in the operation of key controls in the year in accounts payable and payroll systems. Extended substantive testing provided the necessary assurance to support our audit opinion. Recommendations for improvement have been agreed focused on the certification of payments and payroll data.
- 12 I have also reviewed your statement of internal control and concluded that it accords with proper practice and is consistent with my knowledge of the Trust.

Recommendation
R2 Monitor the implementation of the agreed recommendations for maintaining effective controls over expenditure.

- 13 Further details are set out in our Annual Governance Report discussed and agreed with the Audit Committee on 3 June 2009.

Accounting Practice and financial reporting

- 14 A few other minor text and referencing amendments were agreed to ensure consistency within the accounts and meet the disclosure requirements of the NHS Trust Manual for Accounts.
- 15 We also reviewed the remuneration report for inclusion in your annual report and concluded this had been produced in line with the appropriate NHS guidance.

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.

ALE Judgements

- 16 The Trust's overall use of resources score will be confirmed by the Care Quality Commission. The scored judgements in this report are made following the Audit Commission's own quality and moderation processes.
- 17 The improved scores for the Trust reflect the importance assigned to the ALE assessment process, the outcome of the detailed ALE action planning and monitoring through the Audit Committee, and progress on Foundation Trust application action plans. It also reflects the efforts officers have put in to gathering and documenting the evidence to support judgements.
- 18 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 requirements at level 2.
- 19 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.
- 20 The Trust's ALE scores for the five key areas are shown in Table 2 below. The key findings and conclusions for the five areas, and the underlying KLOE, are summarised in Appendix 1.

Table 2 **ALE scores**

Key area	Scored judgement
Financial reporting	2
Financial management	3
Financial standing	4
Internal control	3
Value for money	3

Partnership Working

- 21** To support our VFM Conclusion and ALE assessments we completed a short review of the governance, accountability and performance management of arrangements where the Trust is working in either formal or informal partnership with others. We also assessed how partnerships are used to achieve the delivery of strategic objectives and service targets. Working with independent providers and first responders was used as a probe for this review.
- 22** Overall we concluded that independent providers and first responders are making a key contribution to the Trust's key objective of improving response times. This is supported by an effective performance management process over response time targets. We also found that appropriate risk assessments were completed to provide assurance that quality standards from these providers are adequate.
- 23** Further details are set out in our report on Partnership Working discussed at the Audit Committee. Key recommendations focused on developing information sharing with commissioners and measuring the effectiveness of outcomes.

Recommendation

- R3** Monitor the effective implementation of the agreed recommendations in our Partnership Working Report.

Closing remarks

- 24** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 9 September 2009 and will provide copies to all board members.
- 25** 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

Report	Date issued
Audit Plan	May 2008
Board Governance Workshop	February 2009
IFRS Readiness.	May 2009
Partnership Working	May 2009
Annual Governance Report	3 June 2009
Auditor's report giving the opinion on the financial statements	11 June 2009
Value for Money Conclusion	11 June 2009
Auditors Local Evaluation (ALE)	September 2009
Annual audit letter	September 2009

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

Maria Grindley
Engagement Lead
September 2009

Appendix 1 – ALE key findings and conclusions

1 The following tables summarise the key findings and conclusions for each of the five key areas.

Financial reporting

Overall score	2
Key findings and conclusions	
KLOE 1.1 (annual accounts) VFM criterion met	2 Yes
Key findings and conclusions	
All level 2 and level 3 KLOE criteria met with the exception of the 1.1.7 'accounts contained only clearly trivial errors' - this was not met due to miss-classification of impairments as negative indexation in the analysis of fixed assets note 11.1 and the unadjusted error in respect of the cash transfer to Buckinghamshire Hospitals NHS Trust. These had no impact on the bottom line of the I&E account or Balance Sheet. Auditor discretion used to over-ride for level 2 as management were responsive and immediately corrected the classification.	
KLOE 1.2 (external accountability) VFM criterion met	2 Yes
Key findings and conclusions	
All level 2 criteria have been met. Further evidence of consultation processes are required to move to level 3 and particularly how these have been used to model the format and contents of reports. The Draft annual report refers only to sustainability as a corporate objective and links to the corporate plan. There is no analysis of information in respect of the Trust's environmental footprint or strategy.	

Appendix 1 – ALE key findings and conclusions

Financial management

Overall score	3
Key findings and conclusions	
KLOE 2.1 (financial strategy and budgets) VFM criterion met	3 Yes
Key findings and conclusions	
Revenue and capital budgets were agreed by the Board before the start of the financial year along with savings plans and significant SLAs. Budgets were prepared in the context of a sound medium term financial strategy which has been updated in year and includes a sensitivity analysis.	
KLOE 2.2 (managing performance against budgets) VFM criterion met	3 Yes
Key findings and conclusions	
There have been improved arrangements in place for 2008/09 for monitoring performance against budgets and for taking necessary corrective action. As a result the financial management of the organisation has been improved. Budget variances were clearly identified and reported to the Board and subsequent progress monitored and reported.	
KLOE 2.3 (asset base) VFM criterion met	2 Yes
Key findings and conclusions	
Overall level 2 achieved. Revised estates strategy approved in March 2009 to start addressing these issues but this is not embedded in support of the 2009 assessment. Also need to make better use of KPIs in reporting estates matters to the board.	

Financial standing

Overall score	4
Key findings and conclusions	
KLOE 3.1 (managing within available resources) VFM criterion met	4 No
Key findings and conclusions	
<p>The Trust managed its finances tightly through to year end with much hard work done in consultation with the commissioners in support of the financial strategy. The final outturn was in line with forecasts and all significant financial targets were again achieved. The medium term financial strategy includes cash flow forecasts for six months beyond the approval of the accounts.</p>	

Appendix 1 – ALE key findings and conclusions

Internal control

Overall score	3
Key findings and conclusions	
KLOE 4.1 (significant business risks) VFM criterion met	3 Yes
Key findings and conclusions	
<p>The Trust has in place a sound Assurance Framework which addresses risk management and links into the objectives of the organisation. The way in which the assurance framework document continues to be linked to business plans and milestones tracker was an area identified as notable practice last year. The Trust regularly reviews its corporate risks in an appropriate manner, (brought to the Board monthly) with ownership of risks being allocated responsibility of named individuals. Risk Management training continues to be undertaken by the NEDs, senior officers and senior managers by way of a number of initiatives. Appropriate action has been taken when conducting the annual review of effectiveness of systems of internal control culminating in production of a draft SIC for 08/09. Disclosures made in previous SIC consistent with HC declarations and supported by HOIA report.</p>	
KLOE 4.2 (internal control) VFM criterion met	2 Yes
Key findings and conclusions	
<p>Disclosures in the SICs are consistent with the self-declaration on compliance with core standards required by the Healthcare Commission. Trust has adequate documentation in place for its business critical systems at a level 2. The Trust does have adequate arrangements (if not formal) to ensure that SCAS complies with relevant laws and regulations. Audit Committee has appropriate and undertook the self-assessment. All staff now working to a SCAS wide code of conduct. Partnerships need to be reviewed against objectives to ensure desired outcomes are achieved.</p>	

Appendix 1 – ALE key findings and conclusions

Overall score	3
KLOE 4.3 (probity and propriety) VFM criterion met	3 Yes
Key findings and conclusions	
<p>Suitable action has been taken by the Trust in conjunction with the LCFS to communicate a counter fraud and corruption policy – embeddedness of this is has been significantly enhanced during 2008/09. A SCAS wide Whistle blowing policies is fully in place within the Trust and it is noted that the number of referrals to the LCFS has risen noticeably in this last year indicating that the open approach to investigating concerns is working. The LCFS has ensured that the Trust has undertaken the necessary work required regarding the 2008/09 NFI exercise.</p>	

Value for money

Overall score	3
KLOE 5.1 (strategic objectives) VFM criterion met	3 Yes
Key findings and conclusions	
<p>The trust has a comprehensive and integrated business planning process which is monitored closely. This is further strengthened by a Towards Excellence Improvement Programme. Local and National priorities are addressed across the whole organisation and objectives are reviewed monthly through a well-established tracker. Working closely with the acute trust to improve turnaround times in A&E. This has also resulted in closer relationships with the acute trust providing a channel of ongoing communication upon which to make other improvements in pathways e.g. Thrombolysis waiting times. SCAS has shown improved performance and a tracks change through the towards excellence programme. The trust has shown improved performance on its CAT A target between 2007/08 and over the 2008/09 - and despite introducing a new CAD system in year and winter pressures the recent figures show improved performance.</p>	

Appendix 1 – ALE key findings and conclusions

KLOE 5.2 (services) VFM criterion met	2 Yes
Key findings and conclusions	
<p>The Trust has developed a communications strategy and has used the towards excellence framework to monitor progress. The communications planner shows how the trust plan to engage with stakeholders, and internal staff but does not highlight any specific events for engaging with specific communities. The Trust has demonstrated an excellent example of focused engagement with public in Southampton during December 2008. The SOS project developed and delivered by Southampton City Council Safer Communities Team in partnership with South Central Ambulance Service NHS Trust on behalf of the Tackling Alcohol Partnership, provided a safe haven for people vulnerable because of alcohol use in Southampton City Centre during peak night times during December 2008. The Trust should develop clearer policy and actions on how it proposes to engage with the community including hard to reach groups.</p>	
KLOE 5.3 (data quality) VFM criterion met	3 Yes
Key findings and conclusions	
<p>The Trust has undertaken a number of audits in 2008/09 on data quality. The K34 audit gives significant assurance and highlights areas of poor data quality which need to be addressed. The trust undertook a number of clinical audits including asthma and stroke which involved the review of patient records and have highlighted areas for improvement. The Trusts performance management processes show evidence of scrutiny and review; and the milestone tracker provides the Board with information to support policy decisions. The trust has regular reports to the board monitoring all performance issues. Actions are identified and key milestone dates documented .Detailed actions are recorded on separate templates within the 'Towards Excellence' programme and weekly executive reports.</p>	
KLOE 5.4 (managing resources) VFM criterion met	3 Yes
Key findings and conclusions	
<p>The trust has demonstrated good tender application procedures for CAD which have considered VFM and FFP, and not just cost. The trust reviews information by service line and has been able to identify need for further refinement/explanation of data. There is evidence that service line reporting has identified difficulties with commercial training and NPTS in Berkshire. The main evidence to support this KLOE is in the ATOS review and the resulting 'towards excellence programme' that the Trust has developed to drive through improvement. The Trust has used benchmarking to inform management decisions throughout 2008/09 and has sought best practice and innovation through a number of sources notably the web and the existing director's forums. The clinical directorate reports to the board show clearly how the trust is monitoring and reporting on the thrombolysis action plan, clinical support desk performance, benchmarking and clinical performance indicators.</p>	

The Audit Commission

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