

Annual Audit Letter

South Central Ambulance Service NHS Trust

Audit 2009/10

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Key messages

This report summarises the findings from my 2009/10 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 10 June 2010 and this met the NHS deadline for statutory reporting on your accounts.

Financial Statements

2 This was the first year of preparing the accounts under International Financial Reporting Standards (IFRS).

3 Our work did not identify any material errors or misstatements in the accounts. Other issues arising during the audit have been discussed with officers and agreed for adjustment in the final presentation of the statements. These adjustments relate to non-material and presentational issues only. Details were included in my Annual Governance Report presented to the Audit Committee on 8 June 2010.

Value for money conclusion

4 My audit report also contained an unqualified value for money conclusion stating the Trust had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

5 The Auditor's Local Evaluation (ALE) assesses how well NHS organisations manage and use their financial resources and highlights areas for improvement. The Trust maintained its performance with an overall score of 3 ('good') showing that arrangements are consistently above the minimum expected requirements.

Economic situation and pressure on the public sector

6 The economic downturn and banking crisis had a significant impact on public finances and the bodies that manage them. The impact in some areas was 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 will not escape these financial pressures and it is important the Trust can meet these challenges.

7 'Liberating the NHS' sets out a vision for an NHS configured to deliver increasing quality of services. The vision needs to be realised through a period in which the NHS must achieve £15 billion to £20 billion of efficiency savings to reinvest in improving quality and outcomes. This represents a significant delivery challenge.

8 The Trust has a major challenge in delivering continued cost improvements alongside improved performance against national and local operational targets in 2010/11. Close scrutiny of financial plans takes place both from within the Trust and by the Strategic Health Authority (SHA). The Medium Term Financial Strategy for the Trust is regularly reviewed and updated and underpins financial stability and achievement of financial duties. Continued financial stability while achieving quality and performance targets is key to the ability of the Trust to pursue its application for Foundation Trust Status.

9 During organisational and system changes it will be important for the Board to maintain its focus on overseeing performance against delivery targets and taking early and robust decisions and actions where targets are not being achieved.

Actions

10 We will agree with management the recommendations shown within the body of this report and an action plan for the Trust to deliver these.

Independence

11 I carried out this audit under the Audit Commission's policies on integrity, objectivity and independence.

Audit fees

12 The audit fee for the Trust for 2009/10 was £126,500.

Recommendation

R1 The Trust must ensure it remains on track to achieve Foundation Trust status by continuing to improve service delivery, and by demonstrating it is prepared for maintaining this within the financial challenges ahead.

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

13 This was the first year of preparing the accounts under International Financial Reporting Standards (IFRS).

14 My work did not identify any material errors or misstatements in the accounts. Other issues arising during the audit have been discussed with officers and agreed for adjustment in the final presentation of the statements. These adjustments relate to non-material and presentational issues only. Details are included in my Annual Governance Report presented to the Audit Committee on 8 June 2010.

Material weaknesses in internal control

15 I reported to the Audit Committee that we identified two critical areas where expected controls had failed in the samples selected for testing. The control failures identified were in accounts payable and journals.

16 Under the requirements of auditing standards for audit sampling and audit evidence I was therefore unable to place the expected reliance on controls. As a result I undertook additional substantive testing to support my opinion. This work found no errors and I was able to obtain the required assurance over the assertions of occurrence, accuracy, cut-off, and classification of expenditure to support our opinion on the accounts. Additionally I noted no further failures in the control within the substantive test samples.

17 I made a number of recommendations for improvement. Details of these and the actions agreed are included in my Annual Governance Report presented to the Audit Committee on 8 June 2010.

Accounting practice and financial reporting

18 I agreed amendments to presentation and note disclosure with management to meet the requirements of the Trust Manual for Accounts.

Auditor's Local Evaluation and value for money conclusion

I considered how well the Trust is managing and using its resources to deliver value for money and gave a scored Auditor's 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 the value for money (VFM) conclusion.

ALE judgements

19 The Auditor's Local Evaluation (ALE) assesses how well NHS organisations manage and use their financial resources and highlights areas for improvement. My assessment reports that the Trust has maintained its performance with an overall 3 ('good') score showing that arrangements are consistently above the minimum expected requirements.

20 In forming my scored ALE judgements, I used the method set out in the 'ALE for Trusts' guidance. Judgements are made for each key line of enquiry (KLOE) using the Audit Commission's 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.

21 I also consider, where appropriate, findings from previous ALE assessments (updating these for any changes or improvements) and any other relevant audit work.

22 Table 1 shows the Trust's ALE scores for the five themes. The key findings and conclusions for these and the underlying KLOE, are in the paragraphs overleaf.

Table 1: **ALE scores**

The Trust continues to score well in the ALE assessments

Theme	Scored judgement
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment	3 out of 4

Source: Audit Commission

23 Our separate report to management on the ALE assessment sets out for each of the KLOE our key judgements leading to individual scores, highlighting those issues that could be addressed to improve further.

24 The Trust has managed to maintain its level 3 score for ALE as a whole based on the balanced judgement approach to scoring. This is a good achievement. However, there are some themes where the scores were marginal level 3 scores and for one KLoE discretion has been used to avoid awarding a level 1 score.

25 The Trust's failure to meet all national response times' targets in 2009/10 has limited its score in KLOE 5.1 (meeting operational and strategic objectives) to a level 2 ('adequate'). The Trust has recognised the need to more proactively manage response times throughout the year and avoid the year-end reactive approach to meeting challenging targets. Several initiatives are in place to support improvement, including reducing hospital turnaround times and developing further partnership 'co-responder' schemes. Progress in 2010/11 is encouraging but the Trust needs to ensure it develops sufficient resilience to enable it to reduce the impact of difficult operational conditions.

26 Another issue affecting KLOE 5.1 is the Trust's relatively poor performance in year in delivering staff appraisals. The Trust could not demonstrate that staff are routinely appraised against their contribution to the organisation's strategic aims. A focus on this by the Trust later in 2009/10 and in early 2010/11 has led to a significant improvement in appraisal rates and this should support the Trust in meeting its targets in 2010/11. This enabled discretion to be used to award the Trust a score of 2 ('adequate').

27 Data quality has been a limiting factor in assessing KLOE 5.3 (performance management and data quality). The Trust's score of 2 is due in part to managing performance targets, but also to issues with ensuring all published data is of a high quality. In late 2009/10 the Trust re-categorised specific types of activity. This was in response to a national ruling at the Chief Executives Meeting to ensure consistency across trusts for 2010/11.

28 An area which has been noted in several parts of ALE is the Trust's positive approach to partnership working. This is important in supporting the achievement of system-wide reform to deliver sustainable health services. An area for further improvement is to ensure that the Trust maintains a list of key partnerships, puts in place agreed and measurable objectives for each, and specifies clear roles and responsibilities. The Trust should consider developing a partnership policy to underpin good practice.

29 Overall the Trust has consolidated robust arrangements identified in previous years and attained a good set of scores for this year's assessment. These processes 'dovetail' with ongoing preparations for attaining Foundation Trust (FT) status. Trust management should now consider if further investment in developing these arrangements is needed or whether current arrangements are 'fit for purpose' for the movement to FT status.

Recommendation

R2 The trust need to review those areas for improvement highlighted in the 2009/10 ALE assessment and consider which need further attention in the move to FT status and develop, implement and monitor action plans to address them.

30 The approach to the Auditor's Local Evaluation (ALE) and the value for money conclusion is currently under review. We will discuss the work required for 2010/11 once this is clarified.

Local risk based work

31 At the start of 2009/10 I considered the need to undertake specific risk based work to inform my value for money conclusion. Due to the Trust receiving a 'weak' rating from the Care Quality Commission for quality of services in 2008/09, I undertook a review to assess:

- whether the Trust had systems in place to develop quality outcome measures;
- the extent to which there were appropriate policies and procedures in place to support the delivery of evidence based, clinically effective care; and
- the effectiveness of existing arrangements in monitoring and performance managing clinical quality across the organisation.

32 I found that the Trust was able to demonstrate significant progress in its approach to improving the clinical quality of its services. The appointment of an Executive Director of Patient Care and Quality was significant in strengthening the governance, accountability and performance management of clinical quality throughout the Trust. The Quality and Safety group was appointed as a Trust board sub committee, which means that patient safety is reported directly to the board and receives a high profile at executive and non executive level.

33 The Trust is making progress in adapting to the cultural changes required of a more clinically led corporate organisation, rather than working by division. Trust wide policies and procedures have been established to support evidence based clinically effective care. These reduce the risk of inconsistency in practice and enable good practice to be shared Trust wide.

34 I concluded that the Trust has increasingly effective arrangements for monitoring and performance management of clinical quality, and that actions are taken to deliver improvements where needed. The Trust routinely assesses how well it performs in comparisons to other ambulance trusts and in early 2010/11 has been able to demonstrate a significant improvement in its rating for key indicators of quality.

VFM conclusion

35 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission.

36 My auditor's report on the accounts issued on 10 June 2010 contained an unqualified VFM conclusion stating that the Trust had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Other reporting duties

37 There are no other matters to bring to your attention.

Closing remarks

Audit Reporting

38 I will discuss and agree this letter with the Chief Executive and the Director of Finance and I will present it at the Audit Committee on 20 September 2010. Following the Audit Committee I will provide copies for all board members. The letter will also be published on the Audit Commission's website.

39 Further detailed findings, conclusions, and recommendations in the areas covered by my audit are included in the reports issued to the Trust during the year. The implementation of recommendations made in the reports will need to be tracked through the Trust's normal follow-up protocols.

Table 2: **Reports issued during the year**

The findings of our programme of work are contained in this letter and the annual governance report

Report	Date issued
Audit Plan	February 2009
Annual Governance Report	June 2010
Review of Clinical Quality	May 2010
Auditor's report giving the opinion on the financial statements and VFM conclusion	10 June 2010
Report to management on the Auditors Local Evaluation (ALE) scored judgement.	September 2010

Independence

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

Closing remarks

41 The Trust continues to take 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

Appointed Auditor

September 2010

Appendix 1 Action Plan

Recommendations

Recommendation 1

The Trust must ensure it remains on track to achieve Foundation Trust status by continuing to improve service delivery, and by demonstrating it is prepared for maintaining this within the financial challenges ahead.

Responsibility	Board
Priority	Medium
Date	March 2011
Comments	The Trust is working closely with the SHA ensuring it improves in several areas necessary in order to achieve Foundation Trust status. In the financial area we have an action plan following the historical due diligence. In addition we have just had a further review of the LTFM and Integrated Business Plan.

Recommendation 2

The trust need to review those areas for improvement highlighted in the 2009/10 ALE assessment and consider which need further attention in the move to FT status and develop, implement and monitor action plans to address them.

Responsibility	Board
Priority	Medium
Date	March 2011
Comments	The Trust is working closely with the SHA ensuring it improves in several areas necessary in order to achieve Foundation Trust status. In the financial area we have an action plan following the historical due diligence. In addition we have just had a further review of the LTFM and Integrated Business Plan.

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