Annual Audit Report 2020 – Welsh Ambulance Services NHS Trust

Audit year: 2019-20
Date issued: November 2020
Document reference: 2163A2020-21
This document has been prepared for the internal use of the Welsh Ambulance Services NHS Trust as part of work performed/to be performed in accordance with statutory functions.

The Auditor General has a wide range of audit and related functions, including auditing the accounts of Welsh NHS bodies, and reporting to the Senedd on the economy, efficiency and effectiveness with which those organisations have used their resources. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

© Auditor General for Wales 2020

No liability is accepted by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party in respect of this report.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae’r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.
Contents

Summary report

About this report 4
Key messages 5

Detailed report

Audit of accounts 7
Arrangements for securing efficiency, effectiveness and economy in the use of resources 9

Appendices

Appendix 1 – reports issued since my last annual audit report 13
Appendix 2 – audit fee 15
Appendix 3 – financial audit risks 16
Summary report

About this report

1. This report summarises the findings from my 2020 audit work at the Welsh Ambulance Services NHS Trust (the Trust) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
   - examine and certify the accounts submitted to me by the Trust, and to lay them before the Senedd;
   - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
   - satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

2. I report my overall findings under the following headings:
   - Audit of accounts
   - Arrangements for securing economy, efficiency and effectiveness in the use of resources

3. This year’s audit work took place at a time when public bodies were responding to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Given its impact, I re-shaped my planned work programmes by considering how to best assure the people of Wales that public funds are well managed. I considered the impact of the current crisis on both resilience and the future shape of public services and aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. All on-site audit work was suspended whilst we continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on the delivery of some of my planned audit work but has also driven positive changes in our ways of working.

4. The delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of new considerations for financial statements arising directly from the pandemic. The success in delivering to the amended timetable reflects a great collective effort by both my staff and the Trust’s officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.

5. At the onset of the pandemic I suspended the publication of some performance audit reports nearing completion, reflecting the capacity of audited bodies to support remaining fieldwork and contribute to the clearance of draft audit outputs. I have also adjusted the focus and approach of some other planned reviews to ensure their relevance in the context of the crisis. New streams of work have been introduced, such as my review of the Test, Trace and Protect programme, and my local audit teams have contributed to my wider COVID-19 learning work.
This report is a summary of the issues presented in more detailed reports to the
Trust this year (see Appendix 1). I also include a summary of the status of
planned work currently being re-scoped.

Appendix 2 presents the latest estimate of the audit fee that I will need to charge
to cover the costs of undertaking my work, compared to the original fee set out in
the 2020 Audit Plan.

Appendix 3 sets out the financial audit risks set out in my 2020 Audit Plan and
how they were addressed through the audit.

This report was presented in draft to the Audit Committee on 3 December 2020
and a final version is included in the papers of the Trust Board meeting on 28
January 2021. We strongly encourage the Trust to arrange its wider publication.
We will make the report available to the public on the Audit Wales website after the
Board have considered it.

I would like to thank the Trust’s staff and members for their help and co-operation
throughout my audit.

Key messages

Audit of accounts

I concluded that the Trust’s accounts were properly prepared and materially
accurate and issued an unqualified audit opinion on them. My work did not identify
any material weaknesses in the Trust’s internal controls (as relevant to my audit).
However, I placed an Emphasis of Matter paragraph in my report to draw attention
to the impact of a Ministerial Direction issued on 18 December 2019, instructing the
Permanent Secretary of the Welsh Government to fund NHS clinical staffs’ pension
tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial
year.

I identified no material financial transactions within the Trust’s 2019-20 accounts
that were not in accordance with authorities or not used for the purpose intended,
and so I have issued an unqualified opinion on the regularity of the financial
transactions within the Trust’s 2019-20 accounts.

The Trust achieved financial balance for the three-year period ending 31 March
2020. The Trust has an approved three-year plan in place. As there were no issues
which warranted highlighting, no substantive report was placed on the Trust’s
accounts.

Arrangements for securing efficiency, effectiveness and
economy in the use of resources
My programme of Performance Audit work has led me to draw the following conclusions:

- the Trust has maintained generally effective governance arrangements during its response to COVID-19 including a focus on quality; however, it could make further improvements in terms of recording of decisions and risk management;
- the Trust has effective financial controls and reporting arrangements, although expenditure in relation to COVID-19 poses a risk to financial balance during 2020-21;
- the Trust has developed responsive operational plans which consider the resources required and are routinely monitored and reported, alongside continued development of other key strategic plans; and
- The Trust demonstrates a clear commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud and is able to respond appropriately where fraud occurs.

These findings are considered further in the following sections.
Audit of accounts

16 This section of the report summarises the findings from my audit of the Trust’s financial statements for 2019-20. These statements are how the organisation shows its financial performance and sets out its net assets, net operating costs, recognised gains and losses, and cash flows. Preparing the statements is an essential element in demonstrating the appropriate stewardship of public money.

17 My 2020 Audit Plan set out the financial audit risks for the audit of the Trust’s 2019-20 financial statements. Exhibit 4 in Appendix 3 lists these risks and sets out how they were addressed as part of the audit.

18 My responsibilities in auditing the Trust’s financial statements are described in my Statement of Responsibilities publications, which are available on the Audit Wales website.

Accuracy and preparation of the 2019-20 financial statements

19 I concluded that the Trust’s accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Trust’s internal controls (as relevant to my audit), however, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts relating to the impact of the Ministerial Direction issued on 18 December 2019. I also brought an issue to the attention of officers and the Audit Committee.

20 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Trust’s Audit Committee on 18 June 2020 and subsequently to the Trust Board on 25 June 2020. Exhibit 1 summarises the key issues set out in that report.
### Exhibit 1: issues identified in the Audit of Financial Statements Report

<table>
<thead>
<tr>
<th>Issue</th>
<th>Auditors’ comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncorrected misstatements</td>
<td>There are no misstatements identified in the accounts, which remained uncorrected.</td>
</tr>
<tr>
<td>Corrected misstatements</td>
<td>There were initially misstatements in the accounts that have now been corrected by management.</td>
</tr>
<tr>
<td>Other significant issues</td>
<td>I placed an Emphasis of Matter paragraph in my audit report to draw attention to disclosures in Note 24 of the accounts relating to the impact of the Ministerial Direction issued on 18 December 2019, instructing the Permanent Secretary of the Welsh Government to fund NHS clinical staffs’ pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year.</td>
</tr>
<tr>
<td>Other significant issues</td>
<td>As part of the audit, we estimated that £3.4 million of Assets Under Construction (AUC) were brought forward on 1 April 2019 and remained as AUC as at 31 March 2020. We have received a reasonable explanation from officers explaining the rationale for holding these assets as AUC throughout the financial year. However, we will issue a recommendation in a separate report to the Trust emphasising the need to regularly monitor the levels of its AUC to ensure assets are operationalised as soon as possible and the risk of obsolescence is minimised.</td>
</tr>
</tbody>
</table>

21 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Trust’s financial position at 31 March 2020 and the return was prepared in accordance with the Treasury’s instructions.

22 My separate independent examination of the Charitable Funds Accounts is complete, we did not identify any issues that needed to be reported to the Trustees. The Accounts are to be agreed by the Trust Board on 26 November 2020 following which we will sign our Independent Examiners Report in December 2020.
Regularity of financial transactions

23 I identified no material financial transactions within the Trust’s 2019-20 accounts that were not in accordance with authorities or not used for the purpose intended, and so I have issued an unqualified opinion on the regularity of the financial transactions within the Trust’s 2019-20 accounts.

24 The Trust’s financial transactions must be in accordance with the authorities that govern them. It must have the powers to receive the income and incur the expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Trust does not have the powers to receive or incur.

25 The Trust achieved financial balance for the three-year period ending 31 March 2020. The Trust has an approved three-year plan in place. As there were no issues which warranted highlighting, no substantive report was placed on the Trust’s accounts.

26 I have the power to place a substantive report on the Trust’s accounts alongside my opinions where I want to highlight issues. I did not issue a substantive report on accounts because the Trust met both of its financial duties and there were no other issues warranting report.

27 The Trust maintained its track record in achieving financial balance in 2018-19 and reported a surplus of £45,000. The Trust met its financial duties to break even over the rolling three-year period 2017-2020 and to have an approved integrated medium-term plan (IMTP) for the period 2019-20 to 2021-22.

Arrangements for securing efficiency, effectiveness and economy in the use of resources

28 I have a statutory requirement to satisfy myself that the Trust has proper arrangements in place to secure efficiency, effectiveness and economy in the use of resources. I have undertaken a range of performance audit work at the Trust over the last 12 months to help me discharge that responsibility. This work has involved:

- undertaking a structured assessment of the Trust’s corporate arrangements for ensuring that resources are used efficiently, effectively and economically;
- reviewing the effectiveness of the Trust’s counter-fraud arrangements;

29 My conclusions based on this work are set out below.

Structured assessment

30 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to
help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they responded to the next phase of the COVID-19 pandemic. The key focus of the work was on the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. Auditors also paid attention to progress made to address previous recommendations where these related to important aspects of organisational governance and financial management especially in the current circumstances.

The structured assessment grouped our findings under three themes:

- governance arrangements;
- managing financial resources; and
- operational planning: to support the continued response to the pandemic balanced against the provision of other essential services.

**Governance arrangements**

My work considered the Trust’s ability to maintain sound governance arrangements while having to respond rapidly to the unprecedented challenges presented by the pandemic. My work found that the Trust has maintained generally effective governance arrangements during its response to COVID-19 including a focus on quality; however, it could make further improvements in terms of recording of decisions and risk management.

The Trust and its Board have worked well to sustain the organisation’s business while responding to COVID-19. The Trust was able to build upon its existing Pandemic Plan in its response, establishing a command structure to make fast and informed decisions. Each of the Board’s Committees have met to oversee key aspects of the Trust’s response to COVID-19 as well as usual operating arrangements. In addition, the Board recently approved the establishment of a new Committee to strengthen its partnership arrangements with universities and other key partners. Information flows effectively from the Trust’s Executive team to the Board, although there is scope to improve recording of information on the COVID-19 decision log. There is a collegiate approach between Executive and Non-Executive Directors and the Trust is committed to reflecting and identifying lessons from the pandemic. The Trust has good arrangements for overseeing the quality and safety of its services, including changes made in response to COVID-19, and it is improving its approach to managing risk.

**Managing financial resources**

I considered the Trust’s financial performance, changes to financial controls during the pandemic and arrangements for monitoring and reporting financial performance. I found that the Trust has effective financial controls and reporting arrangements, although expenditure in relation to COVID-19 poses a risk to financial balance during 2020-21.
The Trust’s arrangements for managing financial resources remain effective. It met its financial duties to break even over the three-year rolling period 2017-18 to 2019-20. The Trust continues to forecast breakeven in 2020-21, although achieving financial balance is reliant on achieving ambitious savings targets and receiving additional income for COVID-19 expenditure. The Trust has continuing strong financial controls and provides clear information on financial performance for Board scrutiny and oversight. However, in relation to COVID-19 there is scope to improve sign-off processes for expenditure within the command structure and to strengthen controls for additional payments to staff. There are also recommendations from our 2019 Structured Assessment which remain outstanding due to the Trust pausing work in relation to audit recommendations during the pandemic. Revised dates for progressing previous recommendations were considered by the Audit Committee in September 2020.

Operational Planning

My work considered the Trust’s progress in developing and delivering quarterly operational plans to support the ongoing response to COVID-19 and to provide other essential services and functions in line with Welsh Government planning guidance. At the time of our work, the focus was on essential services with the aim of restoring normal and routine activities when it is safe and practicable to do so. My work found that the Trust has developed responsive operational plans which consider the resources required and are routinely monitored and reported, alongside continued development of other key strategic plans.

The Trust has quickly developed responsive operational plans that meet Welsh Government requirements. It has identified the resources it needs to deliver the plans, including an increased and flexible workforce. The Trust is assessing the risk to its workforce and making changes to support its staff. It has also undertaken regular and effective internal communication and introduced new ways to support staff wellbeing. Strategic plans have been developed with engagement from internal and external stakeholders, including trade unions and its commissioners. The Trust is developing its approach to organisational recovery including a review of strategic actions and has reinstated arrangements for the delivery and reporting of its strategic performance from July 2020.

Effectiveness of counter-fraud arrangements

In June 2019, I published an overview for the Public Accounts Committee describing counter-fraud arrangements in the Welsh public sector. My team then undertook a more detailed examination across a range of Welsh public sector bodies to examine how effective counter-fraud arrangements are in practice and to make recommendations for improvement. In July 2020 I published Raising Our Game – Tackling Fraud in Wales setting out a summary of my findings and seven
‘key themes’ that all public bodies need to focus on in raising their game to tackle fraud more effectively.

39 Whilst this work was not included in the Trust’s audit plan, I also published an additional report setting out the Trust’s specific arrangements for preventing and detecting fraud. I found that the Trust demonstrates a clear commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud and is able to respond appropriately where fraud occurs.
## Reports issued since my last annual audit report

### Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Trust in 2020.

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial audit reports</strong></td>
<td></td>
</tr>
<tr>
<td>Audit of Financial Statements Report</td>
<td>June</td>
</tr>
<tr>
<td>Opinion on the Financial Statements</td>
<td>June</td>
</tr>
<tr>
<td><strong>Performance audit reports</strong></td>
<td></td>
</tr>
<tr>
<td>Structured Assessment 2020</td>
<td>September</td>
</tr>
<tr>
<td>Effectiveness of counter-fraud arrangements</td>
<td>September</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>2020 Audit Plan</td>
<td>March</td>
</tr>
</tbody>
</table>
Exhibit 3: performance audit work still underway

There are a number of performance audits that are still underway at the Trust. These are shown in the following table, with the estimated dates for completion of the work.

<table>
<thead>
<tr>
<th>Report</th>
<th>Estimated completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test, Track and Protect</td>
<td>December 2020</td>
</tr>
<tr>
<td>Unscheduled care</td>
<td>Phase 1 – February 2021</td>
</tr>
<tr>
<td></td>
<td>Further work to be included as part of 2021 plan</td>
</tr>
<tr>
<td>Quality Governance arrangements</td>
<td>June 2021</td>
</tr>
</tbody>
</table>
Appendix 2

Audit fee

The 2020 Audit Plan set out the proposed audit fee of £151,618 (excluding VAT). My latest estimate of the actual fee, is in keeping with the fee set out in the outline.
## Financial audit risks

### Exhibit 4: financial audit risks

My 2020 Audit Plan set out the financial audit risks for the audit of the Trust’s 2019-20 financial statements. The table below lists these risks and sets out how they were addressed as part of the audit.

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Proposed audit response</th>
<th>Work done and outcome</th>
</tr>
</thead>
</table>
| The risk of management override of controls is present in all entities.   | **My audit team will:**  
  • test the appropriateness of journal entries and other adjustments made in preparing the financial statements;  
  • review accounting estimates for biases; and  
  • evaluate the rationale for any significant transactions outside the normal course of business.                                                                                                                                         | The work was carried out as proposed. We did not identify any issues.                                                                                                                                                                                                 |
| Impact of COVID-19  
The COVID-19 national emergency may see a significant delay in the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers e.g. around estimates and valuations, may be compromised leading to an increased | **We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.**                                                                                           | The Trust managed the potential impact of COVID-19 on the preparation of the financial statements well and submitted them to Welsh Government in advance of the deadline.  
  It is of considerable testament to the accounts team there was no change to the quality of the financial statements or supporting working papers |

---

<table>
<thead>
<tr>
<th>Incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</th>
<th>We received for audit when compared to prior years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A number of changes have taken place to the senior management team and non-executive directors during the financial year. There is a risk that these changes are not correctly disclosed within the Trust’s Remuneration Report.</td>
<td>My audit team will undertake early audit work on the completeness and accuracy of the Trust’s Remuneration Report. We will also seek appropriate assurances from the Trust’s Remuneration Committee who intend to review the Trust’s draft Remuneration Report before it is presented to us for audit.</td>
</tr>
<tr>
<td>NHS Trusts have a financial duty to break even over a three-year rolling period. Although the Trust is forecasting a break-even position for year-end, this duty increases the risk that management judgements and estimates included in the financial statements could be biased in an effort to achieve the financial duty. Where the Trust fails this financial duty, I will place a substantive report on the financial statements highlighting the failure.</td>
<td>My audit team will focus its testing on areas of the financial statements which could contain reporting bias such as judgements and estimates.</td>
</tr>
</tbody>
</table>
On 18 December 2019 the First Minister issued a formal Ministerial Direction to the Permanent Secretary requiring her to implement a ‘scheme pays’ initiative in respect of the NHS pension tax arrangements for clinical staff.

We are considering the accounting treatment and audit implications of the direction (the first in Wales since 1999) in conjunction with the NAO who are currently addressing the same issue in NHS England.

The work was completed as proposed.

The Trust included additional disclosure within Note 24 of the financial statements in respect of this issue and we included an emphasis of matter in our audit report drawing attention to this.

Our initial audit plan included reference to the expected introduction of IFRS 16 - Leases in 2020-21. This has now been deferred until 2021-22.

My team will continue to keep the position under review.

We reviewed the Trust’s arrangements for IFRS 16 and confirm that good progress has been made. The Trust is well placed for the implementation of the new accounting standard.