

# Annual Audit and Management Letter

North East Ambulance Service NHS Trust and North East Ambulance Service  
NHS Foundation Trust

Audit 2011/12



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# Key messages

This report summarises the findings from my 2011/12 part year audits at North East Ambulance Service NHS Trust and North East Ambulance Service NHS Foundation Trust. My audits comprise three elements:

- the audit of your financial statements for two part year periods;
- my assessment of your arrangements to achieve value for money in your use of resources; and
- review of your quality report, including testing of two indicators.

Audit area	My findings
Unqualified audit opinion for both part year financial statements	●
Proper arrangements to secure value for money	●
Limited assurance opinion on the Quality Report	●

## Audit opinion and financial statements

I issued unqualified audit opinions on both sets of part year financial statements by the required deadlines. I did not identify any material weakness in internal control.

## Value for money

I undertook work in line with the Audit Code for Foundation Trusts, and issued an unqualified certificate on 22 June 2012.

## Limited assurance opinion on the Quality Report

I issued a limited assurance opinion on the Quality Report on 22 June 2012. This concluded that:

- the Quality Report was prepared in line with Monitor's guidance and was not inconsistent with information specified by Monitor; and
- the two indicators in the Quality Report subject to my limited assurance work were reasonably stated.

# Financial statements and the statement of internal control/annual governance statement

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

## Scope of my audits in 2011/12

In line with my audit fee letter and audit plans for the Trust, I:

- undertook an audit of the financial statements of the NHS Trust and review of the Statement of Internal Control for the period 1 April to 13 October 2011; and
- undertook an audit of the financial statements of the Foundation Trust and review of the Annual Governance Statement for the period 1 November 2011 to 31 March 2012.

## Overall conclusion from my audits

The Trust faced a number of challenges in producing its financial statements this year. In particular these related to:

- The need to prepare two sets of financial statements due to the achievement of foundation trust status; and

- The need to prepare financial statements under the foundation trusts framework for the first time.

The Trust responded positively to these challenges and the key findings from my audits of both sets of part year financial statements are summarised in the table below.

NHS Trust (1 April to 31 October 2011)	Foundation Trust (1 November 2011 to 31 March 2012)
I issued an unqualified audit opinion on the NHS Trust financial statements on 7 March 2012.	I issued an unqualified audit opinion on the Foundation Trust financial statements on 30 May 2012.
I identified several non-material errors in the financial statements. Management corrected most of the errors but decided not to correct three errors as the impact of these errors on the financial statements was not material.	I identified several non-material errors in the financial statements. Management corrected most of the errors but decided not to correct two errors as the impact of these errors on the financial statements was not material.
Overall the draft financial statements were of good quality and the Trust's finance team were cooperative throughout my audit.	Overall the draft financial statements were of good quality and the Trust's finance team were cooperative throughout my audit.
My audit did not identify any material weakness in internal control.	My audit did not identify any material weakness in internal control.
I made two recommendations for the Trust to improve controls over journals and stock sheets.	The Trust has taken appropriate action to address my recommendations following my first part year audit.

# Securing economy, efficiency and effectiveness

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**I assessed your arrangements for securing economy, efficiency and effectiveness (3 Es) in your use of resources.**

## **Use of resources**

Under the audit framework in place, my consideration of use of resources was applicable only to the Foundation Trust part year. For my work in this area I drew upon:

- my audit work on the annual governance statement as part of the audit of the financial statements;
- the results of the work of regulatory bodies, including Monitor and the Care Quality Commission; and
- my review of the Quality Report.

My work in these areas allowed me to satisfy myself that the Trust has maintained proper arrangements in securing the 3 Es in its use of resources.

## **Annual Governance Statement**

There were no issues arising from my review of the Trust's Annual Governance Statement that led me to consider the Trust did not have proper arrangement in securing economy, efficiency and effectiveness.

# Review of the Trust's Quality Report

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## Review of the Trust's Quality Report

The foundation trust regulator (Monitor) defines the extent of the work auditors carry out on Quality Reports. On 15 March 2012 it published 'Detailed Guidance for External Assurance on Quality Reports 2011/12'. I based my work on that guidance.

Monitor's guidance required NHS foundation trusts to:

- include a brief description of the key controls in place to prepare and publish a Quality Report in the Annual Governance Statement in the published accounts;
- sign a Statement of Directors' Responsibilities in respect of the content of the Quality Report and mandated indicators for inclusion in the annual report;
- sign a Statement of Directors' Responsibilities in respect of all other indicators included within the Quality Report to provide to their auditors;
- include the signed limited assurance report provided by their auditors on the content of the Quality Report and the mandated indicators in the annual report; and
- submit a copy of their auditors' report on the outcome of the external work performed on the content of the Quality Report, and the mandated and local indicators, to Monitor and to the NHS foundation trust's council of governors.

Monitor required auditors to:

- review the content of the Quality Report against the requirements set out in the *2011/12 NHS Foundation Trust Annual Reporting Manual*;
- review the content of the Quality Report for consistency against the other information sources detailed in section 2.1 of the Monitor guidance;
- provide a signed limited assurance report in the Quality Report on whether anything had come to the attention of the auditor that led them to believe that the Quality Report had not been prepared in line with the requirements set out in the *NHS Foundation Trust Annual Reporting Manual* or was not consistent with the other information sources detailed in section 2.1 of the Monitor guidance;
- undertake substantive sample testing of two mandated performance indicators and one locally selected indicator, to include, but not necessarily be limited to:

- an evaluation of the key processes and controls for managing and reporting the indicators; and
- sample testing of the data used to calculate the indicator back to supporting documentation;
- provide a signed limited assurance report in the Quality Report on whether there was evidence to suggest that mandated indicators had not been reasonably stated in all material respects in accordance with the *NHS Foundation Trust Annual Reporting Manual*; and
- provide a report (the ‘governors’ report’) to the NHS foundation trust council of governors of their findings and recommendations for improvements concerning the content of the Quality Report, the mandated indicators and the local indicator.

I therefore planned my work to:

- review whether the content of your Quality Report was in line with Monitor guidance and not inconsistent with other specified information; and
- test two performance indicators mandated by Monitor and one indicator selected by governors from the Quality Report.

I issued a limited assurance opinion on the content of the Quality Report and testing of the two mandated indicators on 22 June 2012. This concluded that the Quality Report was prepared in line with Monitor's guidance and was not inconsistent with the information specified by Monitor, and that the two mandated indicators were reasonably stated.

I reported my findings from my review and testing of the performance indicators, including the indicator chosen by governors, to the Trust in the ‘governors’ report’. As I undertook my review on a draft version of the Trust’s Quality Report the Trust considered my findings and made some minor amendments before final publication.

# Other matters

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## **Making effective use of the Trust's audit resources**

Although external auditors and internal auditors have different roles and responsibilities, there are areas of overlap in the controls and risks they consider, with the potential for duplication and wasted resources. I therefore developed with the Trust's Internal Auditors, an agreement for liaison and cooperation to reduce the risks that this could occur. The Audit Committee approved an updated liaison agreement between internal and external audit in October 2011 for the 2011/12 audit year.

## **Ongoing independent support during the year**

During the year my team and I have continued to support the Trust in other ways, including:

- attendance at Audit Committees. At these meetings, I inform the Committee about progress on the audit, report my key findings, and update it about developments in the NHS, foundation trusts, and the wider environment;
- hosting seminars and events for trust staff, such as the NHS Accounts workshops; and
- facilitating quarterly meetings of the North East Audit Committee Chairs' network. This supports sharing of information and views, and encourages audit committee development across NHS bodies in the North East.

# Closing remarks

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I have discussed and agreed this letter with the Chief Executive and Director of Finance. I will present this letter at the Audit Committee on 26 July 2012 and will provide copies to all Board members. 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.

Report	Date issued
2011/12 Audit Fee Letter	April 2011
External Audit Progress Report and Briefing	To each Audit Committee meeting, as and when held
External Audit/Internal Audit Liaison Agreement	October 2011
Audit Plans	December 2011 and March 2012
Annual Governance Reports	January and May 2012
Audit Opinion on the Financial Statements	March and May 2012
Limited Assurance Report on the Quality Report	June 2012
External assurance on the Trust's Quality Report	June 2012
Audit certificates	May and June 2012

The Trust has continued to take a positive and constructive approach to my audit. As a result of the externalisation of the Audit Commission's Audit Practice this will be the Audit Commission's last Management Letter. I wish to thank the Trust for its support and co-operation during my audit in the past year and previous years.

Cameron Waddell, Engagement Lead. July 2012.

# Appendix 1 - Fees

NHS Trust part year	Actual (plus VAT)	Proposed (per Audit Fee Letter issued April 2011)	Variance
Financial statements and statement of internal control	£45,600	£45,600	Nil
Non-audit work	£0	£0	Nil
<b>Total</b>	<b>£45,600</b>	<b>£45,600</b>	<b>Nil</b>

Foundation Trust part year	Actual (plus VAT)	Proposed (per Audit Plan issued March 2012)	Variance
Financial statements and annual governance statement	£41,000	£41,000	Nil
Work to support Whole of Government Accounts	£1,500	£1,500	Nil
Review of Quality Report	£6,100	£6,100	Nil
Non-audit work	£0	£0	Nil
<b>Total</b>	<b>£48,600</b>	<b>£48,600</b>	<b>Nil</b>

# Appendix 2 - Glossary

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## **Annual Governance Statement**

Public bodies must provide assurance that they are appropriately managing and controlling their money, time and people. The Annual Governance Statement (AGS) is an important document for communicating these assurances to Parliament and citizens.

The AGS is the means by which the Chief Executive Officer declares his or her approach to and responsibility for, risk management, internal control and corporate governance. It is also used to highlight weaknesses which exist in the internal control system within the organisation. It forms part of the Annual Report and Accounts.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

If I agree that the financial statements give a true and fair view and that the spending and income was regular, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view; or
- I find that some spending or income was irregular.

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