



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Audit Report 2019 – **Welsh Ambulance Services NHS Trust**

Audit year: 2018-19

Date issued: March 2020

Document reference: 1663A2019-20



This document has been prepared as part of work performed in accordance with statutory functions.

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 the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office 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.

This report was prepared for the Auditor General by Dave Thomas, Anthony Veale, Michelle Phoenix and Fflur Jones.

Contents

Summary report

About this report	4
Key messages	5

Detailed report

Audit of Accounts	6
I have issued an unqualified opinion on the 2018-19 financial statements of the Trust	6
I have issued an unqualified audit opinion on the regularity of the financial transactions within the financial statements of the Trust	7
Arrangements for securing efficiency, effectiveness and economy in the use of resources	8
The Trust has strengthened governance arrangements, although performance in key areas is not improving as planned and it could strengthen use of the Board Assurance Framework	8
There is a clear strategic vision, generally good planning arrangements and strengthened delivery arrangements, with scope to make some further improvements	9
The Trust continues to meet its statutory financial duties, but it could improve capital planning, savings delivery and reporting of single tender actions	10
There is ongoing work to modernise the workforce, improve staff wellbeing and address challenges with training and sickness absence	11
The Trust's performance management information supports scrutiny by the Board and its committees, though there is scope for further improvement	12

Appendices

Appendix 1 – reports issued since my last annual audit report	13
Appendix 2 – audit fee	14
Appendix 3 – financial audit risks	15

Summary report

About this report

- 1 This report summarises the findings from the audit work I have undertaken at Welsh Ambulance Services NHS Trust (the Trust) during 2019. I did that work to carry out my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - a) examine and certify the accounts submitted to me by the Trust, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c) satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 I have reported my findings in Key messages under the following headings:
 - Audit of accounts
 - Arrangements for securing economy, efficiency and effectiveness in the use of resources
- 3 I have issued several reports to the Trust this year. This annual audit report is a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
- 4 [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Trust, alongside the original fee that was set out in the 2019 Audit Plan.
- 5 [Appendix 3](#) sets out the financial audit risks highlighted in my 2019 Audit Plan and how they were addressed through the audit.
- 6 **The Chief Executive and the Interim Director of Finance have agreed this report is factually accurate. We presented it to the Board on 30 January 2020.** We strongly encourage the Trust to arrange wider publication of this report. We will make the report available to the public on the [Wales Audit Office website](#) after the Board have considered it.
- 7 I would like to thank the Trust's staff and members for their help and co-operation during the audit work my team has undertaken over the last 12 months.

Key messages

Audit of Accounts

- 8 I have concluded that the Trust's accounts were properly prepared and materially accurate, and my work did not identify any material weaknesses in the Trust's internal controls relevant to my Audit of the Accountability Report and Financial Statements. I have therefore issued an unqualified opinion on their preparation.
- 9 The Trust had no material financial transactions within its 2018-19 accounts that were not in accordance with authorities and so I have issued an unqualified opinion on the regularity of the financial transactions within its 2018-19 accounts.
- 10 The Trust achieved financial balance for the three-year period ending 31 March 2019. It 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

- 11 My programme of Performance Audit work at the Trust this year included the annual Structured Assessment and local work on Performance Management Information.
- 12 My conclusion for the Structured Assessment was that the Trust has set a clear, long-term vision for the organisation supported by changes to its structure and workforce. The Trust is strengthening risk management and governance arrangements in some areas, including changes to Board frequency and committee structures. The Trust continues its good track record of delivering its financial duties and has made some improvements to performance reporting. However, it could further improve performance in areas including red and amber calls, and sickness absence; move beyond annualised cycles of capital planning; improve reporting of single tender actions and strengthen the board assurance framework.
- 13 My review of the Trust's Performance Management Information concluded that the Trust's performance management information supports scrutiny by the Board and its Committees, though there is some scope for further improvement.
- 14 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 15 This section of the report summarises the findings from my audit of the Trust's financial statements for 2018-19. 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 appropriate stewardship of public money.
- 16 My responsibilities in auditing the Trust's financial statements are described in my [Statement of Responsibilities](#) publications, which is available on the Wales Audit Office website.

I have issued an unqualified opinion on the 2018-19 financial statements of the Trust

I have concluded that Trust's accounts were properly prepared and materially accurate, and my work did not identify any material weaknesses in the Trust's internal controls relevant to my Audit of the Accountability Report and Financial Statements.

- 17 The unaudited accounts were received from the Trust on 26 April 2019 in accordance with the agreed deadline. The working papers provided to support the accounts were of a good standard, with the Trust acting on the recommendations I made in previous years.
- 18 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 23 May 2019, with an updated report presented to the Trust Board on 30 May 2019. [Exhibit 1](#) summarises the key issues set out in that report.

Exhibit 1: issues identified in the Audit of Financial Statements Report

The following table summarises and provides comments on the key issues identified.

Issue	Auditors' comments
Uncorrected misstatements	I did not identify any misstatements in the financial statements that remained uncorrected.
Corrected misstatements	I identified misstatements that were corrected in the financial statements. These amendments had no impact on the overall financial position of the Trust.
Other significant issues	I did not identify any significant issues.

- 19 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the financial position of the Trust at 31 March 2019 and the return was prepared in accordance with the Treasury's instructions.
- 20 My independent examination of the Funds Held on Trust financial statements for the year ended 31 March 2019 has been completed with no issues identified.

I have issued an unqualified audit opinion on the regularity of the financial transactions within the financial statements of the Trust

The Trust had no material financial transactions within its 2018-19 accounts that were not in accordance with authorities, and so I have issued an unqualified opinion on the regularity of the financial transactions within its 2018-19 accounts.

- 21 The Trust's financial transactions must be in accordance with authorities that govern them. It must have the powers to receive the income and incur the expenditure that it has. 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.

The Trust achieved financial balance for the three-year period ending 31 March 2019 and has an approved three-year plan in place.

- 22 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 a substantive report.
- 23 The Trust maintained its track record in achieving financial balance in 2018-19 and reported a surplus of £57,000. The Trust met its financial duties to break even over the rolling three-year period 2016-2019 and to have an approved integrated medium-term plan (IMTP) for the period 2018-19 to 2020-21.

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

- 24 I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- undertaking a structured assessment of the Trust's arrangements for overall governance, strategic planning, managing financial resources, and managing workforce productivity and efficiency; and
 - specific use of resources work on Performance Management Information.
- 25 My conclusions based on this work are set out below.

The Trust has strengthened governance arrangements, although performance in key areas is not improving as planned and it could strengthen use of the Board Assurance Framework

- 26 My structured assessment work examined the Trust's governance arrangements, the way in which the Board and its sub-committees conduct their business, and the extent to which organisational structures are supporting good governance and clear accountabilities. I also looked at the information that the Board and its committees receive to help them oversee and challenge performance and monitor the achievement of organisational objectives. I found the following.
- 27 **Changes to Board meetings and committee structures are having a positive impact on scrutiny and oversight, but there is scope to make some improvements to papers and standing orders needs to reflect recent changes.** The Trust continues to strengthen its governance arrangements in several ways, including making changes to its board meetings and committee structure which is supporting oversight and scrutiny of Trust business. There is further work in terms of developing and embedding these changes. During 2019 the Trust has been managing several vacancies at Board level and is looking to resume its formal board development programme once vacancies have been filled.
- 28 **The Trust is taking steps to strengthen its risk management arrangements, and while its Board Assurance Framework continues to evolve, there is scope for further improvement.** The Trust has improved its risk management processes with a new e-risk platform expected to be fully in place across the organisation by 2020. The Trust will need to ensure the format of the corporate risk register report reflects the robustness of the new system. However, there is scope to improve the Board Assurance Framework to maximise its usefulness as an

assurance tool for the organisation, and to report it more consistently to the Trust's committees.

- 29 **While performance reporting has improved, the performance management framework is out-of-date, and performance is not improving in line with plans for several metrics.** Our local work on the Trust's performance management information in 2019 showed good progress in its reporting arrangements. However, the performance framework was due for review in 2017 and therefore needs to be reviewed with pace. The Trust also recognises that there is scope to provide greater clarity for underperformance, particularly for key metrics that have seen a worsening position, including red and amber calls, and responding to Serious Adverse Incidents and concerns within the required timeframe. The Trust's data shows that while its capacity to deliver its services remained static between September 2018 and September 2019, demand increased substantially. Data also shows that handover delays also increased significantly in 2019 compared with 2018, which has been shown to affect waiting times for patients, particularly those categorised as amber calls. In line with recommendations from the Amber Review published in 2018, the Trust and the Chief Ambulance Services Commissioner jointly commissioned a demand and capacity review looking at how the service and its workforce will need to change to meet the demand of the population over the next five years. The findings of the review will be important for the Trust and its commissioners in improving service performance.
- 30 **Planned changes to corporate functions and a re-balancing of executive portfolios should support modernisation of the organisation.** The Trust plans to introduce a new digital services directorate and a Digital Services Director has recently been appointed to lead this work. The Trust is also planning to move some functions between executive portfolios. These changes are planned to support the modernisation of the Trust and improve planning.

There is a clear strategic vision, generally good planning arrangements and strengthened delivery arrangements, with scope to make some further improvements

- 31 My structured assessment work examined how the Board engages partners and sets the strategic direction for the organisation. I also assessed how well the Trust plans the delivery of its objectives and how it monitors progress in delivering the plans. My findings are set out below.
- 32 **The Trust has established a clear vision for the organisation and has taken some steps to engage more effectively with partners and staff but will need to ensure alignment between its Long-Term Strategic Framework and long-term commissioning intentions.** The Trust has established a clear vision for the organisation, articulated through its Long-Term Strategic Framework 2019-30 and other strategic plans. The Trust's Long-Term Strategic Framework sets an ambitious vision for the organisation which articulates a much broader offer than

the traditional ambulance service and will provide the blueprint for future Integrated Medium-Term Plans (IMTPs). However, given the influence that the Emergency Ambulance Services Committee (EASC) has on the Trust's IMTP in terms of setting commissioning intentions and approving the draft IMTP, the Trust needs to ensure alignment between its vision and the long-term commissioning intentions of the EASC.

- 33 **The Trust has an effective planning process for its IMTP which draws on demand and capacity, and benchmarking information, however the timescales of agreeing its winter plans creates pressure for ensuring measures are implemented appropriately.** The Trust continues to secure approval for its IMTPs from the Welsh Government and is strengthening its strategic planning by drawing on greater information through demand and capacity and benchmarking data. However, the Trust's winter plan was not agreed until late September 2019, which creates a pressure to secure the appropriate quality infrastructure for some measures included within the plan.
- 34 **The Trust has improved some arrangements to support the delivery of its IMTP, including establishing a small programme management office, though there is scope to strengthen committee oversight.** This year the Trust has strengthened operational delivery and monitoring arrangements to support the delivery of its IMTP by setting a Strategic Transformation Board, establishing a Programme Management Office and replacing performance ambitions with clearer targets and milestones for its strategic actions. These changes should strengthen the Trust's ability to deliver against its IMTP.

The Trust continues to meet its statutory financial duties, but it could improve capital planning, savings delivery and reporting of single tender actions

- 35 My structured assessment work examined the actions the Trust is taking to achieve financial balance and create longer-term financial sustainability. I also assessed the financial position of the organisation, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting. My findings are set out below.
- 36 **The Trust has a track record of achieving financial balance although departmental delivery to budget and performance against individual savings themes remains variable.** As of month-six of 2019-20, the Trust is likely to continue its track record of meeting its financial duties at year-end. However, there continues to be variability between budgets and savings themes, for example, as of month-six, the operational directorate was £108,000 overspent and while the Trust delivered £4.3 million savings against its target of £4.2 million in 2018-19, four of its savings themes significantly underachieved against their targets. There is a risk that continuing inconsistency in delivering planned budgets and savings creates significant problems in future.

- 37 **While the Trust's overall financial planning process is generally effective capital planning is not sufficiently strategic despite some recent improvements to processes.** The Trust experienced some challenges in spending its capital budget allocation during 2019, including late notification of additional funding from the Welsh Government, and should seek to move beyond annualised capital planning to avoid this in future.
- 38 **The Trust's financial management and controls are generally effective, with plans to formalise finance business support to strengthen arrangements.** The Trust introduced a finance business partner post and has plans to formalise a greater model in early 2020 once a substantive Director of Finance is in place.
- 39 **Changes to the committee structure and risk management arrangements have strengthened financial performance oversight, though reporting of single tender actions lacks clarity.** The Trust has generally effective financial reporting arrangements, but we found scope to provide greater context within regular reports on single tender actions.
- 40 The National Fraud Initiative (NFI) is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. Participating bodies submitted data to the current NFI data matching exercise in October 2018. The Trust has made good progress in reviewing the data matches it received.

There is ongoing work to modernise the workforce, improve staff wellbeing and address challenges with training and sickness absence

- 41 My structured assessment work examined the actions that the Trust is taking to ensure that its workforce is well managed and productive. I also assessed arrangements for addressing training and development needs and action to engage and listen to staff and address wellbeing needs. My findings are set out below.
- 42 **The Trust is taking steps to redesign its workforce but has not yet achieved a sustained reduction in sickness absence rates.** The Trust has developed a People and Culture Strategy to support it in managing the changes to its workforce model. The Trust continues to have ongoing success with its 'big-bang' recruitment events for paramedics but faces some challenges in recruiting for its planned expansion of Advanced Paramedic Practitioners and the 111 service. Sickness absence continues to be an issue despite some improvement during 2019.
- 43 **The Trust is seeking to manage training challenges for its current and future workforce and its appraisal and mandatory training rates continue to improve.** The Trust is seeking to manage training challenges through partnership working with universities across Wales, which will increase as it progresses its application for university status.

- 44 **The Trust engages with staff and is improving staff wellbeing through work on staff conflict, violence and aggression and mental health.** The Trust continues to engage with staff, including roadshows with the new Chief Executive during 2019 and the Trust has developed findings from the NHS Staff Survey 2018 into a programme of work.

The Trust's performance management information supports scrutiny by the Board and its committees, though there is scope for further improvement

- 45 **Performance reporting continues to develop with some improvements since autumn 2018, however there is scope for further improvement.** The Trust's revised Monthly Integrated Performance Report has enhanced performance reporting as it has become better integrated, and more comprehensive, for example by including detailed dashboards and scorecards containing timely data. The report could be further improved, for example by including trend analysis, greater benchmarking and contextual narrative, and by making action plans more specific and easier to track.
- 46 **New reporting and meeting arrangements provide the Board and its committees with appropriate information and more time to scrutinise performance.** Recent changes to the frequency of Board meetings and to the committee structure have provided more time to scrutinise and challenge performance information. There is evidence of robust scrutiny of performance information at Board and committees, and improvements to the format of performance reporting are likely to further strengthen this. However, there is scope to increase the impact scrutiny has on performance and the Trust should seek to evaluate the effect of recent changes.

Appendix 1

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 2019.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	May 2019
Opinion on the Financial Statements	June 2019
Performance audit reports	
Structured Assessment 2019	December 2019
Performance Management Information	September 2019
Other	
2019 Audit Plan	March 2019

Exhibit 3: performance audit work still underway

There are also 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.

Report	Estimated completion date
Quality Governance arrangements	June 2020

Appendix 2

Audit fee

The 2019 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.

Appendix 3

Financial audit risks

Exhibit 4: financial audit risks

My 2019 Audit Plan set out the financial audit risks for the audit of the 2018-19 financial statements. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240. 31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • 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. 	<p>The work was carried out as proposed. We did not identify any issues.</p>
<p>The Trust has introduced a new fixed asset register (RAM) which has become operational during 2018-19.</p> <p>There is a risk associated with the transfer of assets onto the new fixed asset register i.e. assets may not be transferred onto the new register or assets are transferred at incorrect values.</p>	<p>My audit team will review the control procedures implemented by the Trust to manage the transfer of assets onto the new register. The team will also design tests to check that the assets and their associated values recorded on the new register are complete and accurate.</p>	<p>The audit work was carried out as proposed. We did not identify any issues.</p>
<p>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</p>	<p>My audit team will focus its testing on areas of the financial statements which could contain reporting bias such as judgements and estimates.</p>	<p>The audit work was carried out as proposed. We did not identify any issues.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>and estimates included in the financial statements could be biased in an effort to achieve the financial duty.</p> <p>Where the Trust fails this financial duty, I will place a substantive report on the financial statements highlighting the failure.</p>		
<p>A number of changes have taken place to the senior management team during the financial year. There is a risk that these changes are not correctly disclosed within the Trust's Remuneration Report.</p>	<p>My audit team will undertake early audit work on the completeness and accuracy of the Trust's Remuneration Report.</p> <p>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.</p>	<p>The audit work was carried out as proposed. We did not identify any issues.</p>
<p>New accounting standards IFRS 9 financial instruments applies from 1 April 2018 and brings in a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier recognition of expected credit losses and will impact on how the Trust calculates its bad debt provision.</p> <p>IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with</p>	<p>My audit team will assess the likely impacts of the new IFRSs and undertake work to respond to any identified risks of material misstatement.</p>	<p>The audit work was carried out as proposed. We did not identify any issues.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>		

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Text phone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru