

Structured Assessment 2021 (Phase Two) – Corporate Governance and Financial Management Arrangements: Welsh Ambulance Service NHS Trust

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Summary report

About this report

- 1 This report sets out the findings from phase two of the Auditor General's 2021 structured assessment work at Welsh Ambulance Service NHS Trust (the Trust). Our structured assessment work is designed to help discharge the Auditor General's statutory requirement to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources under section 61 of the Public Audit (Wales) Act 2014. Our [2021 structured assessment phase one report](#) considered the Trust's operational planning arrangements and how these are helping to lay the foundations for effective recovery.
- 2 The COVID-19 pandemic required NHS bodies to quickly adapt their corporate governance and decision-making arrangements to ensure timely action was taken to respond to the surge in emergency COVID-19 demand and to ensure the safety of staff and patients. Our [2020 structured assessment report](#) considered the Trust's revised governance arrangements and was published in August 2020.
- 3 NHS bodies have continued to respond to the ongoing challenges presented by COVID-19, whilst also starting to take forward plans for resetting and recovering services affected by the pandemic. Our 2021 structured assessment work, therefore, was designed in the context of the ongoing response to the pandemic thus ensuring a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continued to respond to COVID-19.
- 4 Phase two of our 2021 structured assessment has considered how corporate governance and financial management arrangements have adapted over the last 12 months. The key focus of the work has been on the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We have also considered how business deferred in 2020 has been reinstated and how learning from the pandemic is shaping future arrangements for ensuring good governance and delivering value for money. We have also sought to gain an overview of the progress that is being made with delivery of the Trust's 2021-22 Annual Plan.
- 5 We have provided updates on progress against any areas for improvement and recommendations identified in previous structured assessment reports.

Key messages

- 6 Overall, we found that the **Trust has continued to develop its corporate governance, planning and financial management arrangements in the context of significant service delivery pressures which are compromising the effectiveness and safety of emergency ambulance services and longer-term service transformation.**

- 7 The Trust continues to improve governance, risk management and quality and safety assurance arrangements, but it has yet to revise its performance management framework. It has good arrangements for developing plans. However, issues both within its control and otherwise mean services are under severe pressure presenting risks to patient safety and delivery of agreed plans for service transformation.
- 8 The Trust has succeeded in meeting its financial objectives for 2020-21 and continues to improve financial controls and there are good reporting arrangements in place. However, the Trust should continue to monitor and consider contingencies to prevent spending pressures or the non-reimbursement of additional COVID-related expenditure risking future objectives.

Detailed report

Governance arrangements

- 9 Our structured assessment work considered the Trust's governance arrangements while continuing to respond to the challenges presented by the pandemic.
- 10 We found that **the Trust continues to improve governance and risk management arrangements. However, internal and external factors are putting services under severe pressure which presents risks to patient safety and delivery of agreed plans for service transformation.**

Conducting business effectively

- 11 We found that **the Trust has continued to maintain effective working of the Board and its Committees in a virtual setting but is going to need to manage significant challenges in respect of non-executive director turnover over the coming six months.**

Public transparency of Board business

- 12 The Trust's Board and committee meetings continue to be virtual and are open to the public, with the exception of Remuneration Committee. Board meetings are broadcast live with recordings subsequently made available on the Trust's website.
- 13 Board and committee papers are published on the Trust's website seven days in advance of meetings. Members of the public are invited to submit questions for the Board to consider, and from 26 November 2020, British Sign Language interpreters have attended Trust Board meetings. In our 2020 structured assessment report, the Trust told us that more members of the public attend Board meetings since they have been conducted virtually. It has begun to routinely record the number of public attendees on the minutes as well as record these on the general attendance sheets. The Trust does not plan to live stream any of its committees. Should members of the public wish to attend, they can request a link to join committee meetings.

Board and committee arrangements

- 14 Written information provided to the Board and its committees is of good quality. Cover reports for Board and committee agenda items include a summary of the key issues and implications, the approval route, key contacts, and checklist (to ensure required information is included). In our 2020 structured assessment, we noted that the Trust planned to revise cover reports to also include key points raised in any prior committee discussions to inform Board scrutiny and decision-making, and this has been implemented. Minutes are comprehensive and a good record of discussions and decisions, which highlight the key issues discussed.

- 15 Our 2020 structured assessment indicated that the Trust was largely able to continue its usual Board and committee business during the pandemic, and made reference to the use of Chair's actions to support urgent decision making. Nine Chairs' Action Meetings were held during 2020-21 to deal with urgent business. The Trust is making several changes to its processes for approving Chairs' Actions, including amending its scheme of reservation and delegation. The notes arising from the meetings were presented to the next Trust Board for ratification.
- 16 Board and Committee Chairs meet regularly. Executive and non-executive directors continue to work collectively. The Trust has established a strategy group which comprises some of its non-executive and executive directors. There is a risk that the group might pre-empt discussions which should be happening in a Board setting. Throughout 2020-21, the Chief Executive Officer conducted monthly 'State of the Nation' meetings with the non-executive Directors. These have been described to us as a useful sounding board for the Chief Executive Officer on key emerging issues and plans. Also, non-executive directors were engaged in the development of the new Digital Strategy entitled 'Disruptive Excellence' through working sessions with the Director of Digital Services, and the full Board had an opportunity to contribute through a dedicated Board Development session.
- 17 The Trust has taken several actions to review the effectiveness of its Board and committees during 2020-21:
- Committee Chairs have examined the level, detail and scope of the information going to the Board to ensure it is timely and relevant.
 - all Committees' terms of reference have been reviewed; a process concluded in March 2020 with Board approval. The Trust told us that the key changes included ensuring that each committee meeting included a section on Corporate Risks, and the Audit Recommendation Tracker describes each of the Committees' overall responsibility to ensure Corporate Risks are identified and properly managed and that processes are in place to address audit recommendations.
 - the Finance and Performance Committee has considered the results of its own review of its effectiveness. Its findings include that while the committee provides good financial oversight and engages well with external auditors, it needs to focus on key metrics and produce more concise and less repetitive reports.
 - as part of its Board Development programme, members completed a self-assessment questionnaire in summer 2020 and two workshops, and subsequently the Board Secretary, developed an action plan. The Board has also extended its development sessions from bi-monthly to monthly from October 2021 and a calendar of thematic board development has been established.

- 18 The Trust currently has a full complement of executive directors. The Trust has taken several actions to maintain Board resilience and stability. The actions include:
- appointing an interim non-executive director for a year;
 - approving a revised schedule of non-executive director committee membership;
 - covering a vacant non-executive director Finance and Performance Committee role on rotation during 2019-20; and
 - operating the Charitable Funds Committee with one non-executive director vacancy, which has now been filled with the appointment of the interim non-executive director.

All committee meetings have remained quorate, and the Trust has a full complement of non-executive directors. The Trust is currently recruiting two non-executive directors and we are expecting over the next 12 months it will be recruiting a new chair and vice chair.

- 19 Our 2020 structured assessment found that the Trust's planned gap analysis to identify any training needs for new board members should be conducted as soon as possible. This work is now underway. Together the Chair and the Board Secretary are developing a skills matrix, for example, Welsh-language skills, and identifying which executive and non-executive directors demonstrate which skills. The purpose of the matrix is twofold. It is intended to both support the development of current board members and inform the recruitment of future non-executive directors. In addition, an induction programme has been developed for new board members and will be ready for the induction of new members joining in April 2022.

Planning for recovery¹

- 20 We found **the Trust has effective arrangements for developing plans, but internal and external factors are putting services under severe pressure, which presents risks to patient safety and delivery of agreed plans for service transformation.**
- 21 The Welsh Government requirement was to develop an Annual Plan for 2020-21. Instead, the Trust decided to frame an annual plan within a three-year plan, with year one focused on recovery and years two and three focusing on longer-term ambitions. The Board discussed and approved the Trust's three-year Integrated

¹ NHS bodies are required to submit a three-year Integrated Medium Term Plan (IMTP) to the Welsh Government on an annual basis. The ITMP process for 2020-2023 was paused by the Welsh Government in March 2020 to allow NHS bodies to focus on responding to the COVID-19 pandemic. Instead, health bodies were required to submit quarterly plans during 2020-21 as well as prepare an annual plan for 2021-22 by 31 March 2021. Our 2021 structured assessment phase one report considered the Trust's operational planning arrangements.

Medium Term Financial Plan (the IMTP) in its March 2021 meeting. The Board and the Finance and Performance Committee had earlier scrutinised the draft in their respective January 2021 meetings.

- 22 The Welsh Government positively received the IMTP but asked for additional information on areas related to performance, financial planning and actions to address handover delays. Further information on these areas was provided within a detailed response issued by the Chief Executive. Internal Audit's September 2021 review of the Trust's IMTP confirms it addresses the criteria within the NHS Wales planning requirements.
- 23 In developing its IMTP, the Trust reviewed its risks, as well as reviewing prior performance against the 2020-21 quarterly plans. The Trust took soundings from stakeholders (including patients, public and staff) about their planned strategic priorities and sought to align the Trust's proposed actions with the strategic intent of partners. Internal Audit judged that the 'Trust developed, approved and implemented an effective approach to identifying IMTP priorities'. It also gave a substantial assurance rating to the level of external and internal scrutiny the IMTP received, with both the Chief Ambulance Services Commissioner and Chair of the Emergency Ambulance Services Commission (EASC²) supporting the plan.
- 24 The Trust has identified the need to reset and recover at both an organisational and individual level, to support exhausted staff, some of whom may be suffering from mental and physical health problems caused by the pandemic. Supporting this is the Trust's staff wellbeing strategy published in November 2020 (**paragraph 48**). The strategy includes many actions to support the wellbeing of staff. In response to the pressures facing it, the Trust has undertaken a prioritisation exercise to identify which aspects of work can be paused to release staff to focus on operational delivery (**paragraph 35**). It is positive to note that work will not be paused which contributes to its continued focus on the health and wellbeing of its workforce.
- 25 The IMTP sets out the Trust's view that its longer-term service transformation objectives are key to supporting the recovery of the wider NHS in Wales. The Trust's long-term aim is to significantly reduce the number of patients conveyed to hospital. It intends to do that by increasingly dealing with patients by seeing or hearing and treating and referring to non-hospital-based settings.
- 26 Internal Audit reviewed the extent to which the allocation of the Trust's funds and resources are aligned with IMTP priorities. It concluded that the Trust's 2021-22 financial plan and revenue budget made provision for service developments aimed at reducing conveyances to emergency departments and hospital admissions.

² EASC is the mechanism through which the seven Welsh health boards make 'joint decisions on the review, planning, procurement and performance monitoring of Emergency Ambulance Services (Related Services), the Emergency Medical Retrieval and Transfer Service (EMRTS) and the Non-Emergency Patient Transport Service'.

- 27 The Trust is establishing four main programmes of work to deliver its IMTP priorities. The IMTP sets out the respective roles of the Board and the Strategic Transformation Board. The Board having overall responsibility for scrutinising the delivery of the IMTP and the Strategic Transformation Board being responsible for mobilising and overseeing delivery of the four main programmes and enabling workstreams intended to deliver IMTP priorities. In September 2021, the Finance & Performance Committee approved a revised Terms of Reference for the Strategic Transformation Board to clarify roles and accountabilities.
- 28 Internal Audit judges that the IMTP includes the Trust’s key risks, such as securing stakeholder support and pressures on the service arising from external factors and associated mitigating actions. It also found that most of these risks are also captured within the Corporate Risk Register and the Board Assurance Framework. The exception being the delivery risk that the Trust does not have the corporate capacity to deliver the scale of change required.
- 29 Our 2019 Structured Assessment highlighted the need to strengthen arrangements for monitoring delivery of the IMTP (**Exhibit 1**). The Trust now has an ‘IMTP tracker’ which is presented to the Finance and Performance Committee. The tracker is accompanied by a Delivery Assurance Report that looks at progress against IMTP deliverables, barriers to delivery, remedial actions to address off track delivery and risks to future delivery. The Finance and Performance Committee reports to the Board on progress to deliver the IMTP and any concerns where progress is off track.

Exhibit 1: progress made on previous year recommendations

Recommendation	Description of progress
<p>2017 R7 Sickness absence levels The Trust should prioritise action to reduce sickness levels.</p>	<p>Complete The Trust continues to focus on sickness absence through a range of measures and saw some improvement during 2019. Sickness absence rates have now returned to high levels with COVID-19 playing a role (paragraph 48).</p>
<p>2018 R4 Ensuring compliance with new legislation Consider ways to provide assurance that the Trust is aware of and complying with new legislation.</p>	<p>In progress The Board Secretaries Network is considering an all-Wales solution, however, it is a significant task. In the meantime, the Trust will start to develop a legislative framework aligned to the cycles of business for the committees.</p>

Recommendation	Description of progress
<p>2019 R2a Performance Management Framework</p> <p>A review of the Trust’s Performance Management Framework is well overdue, and the Framework now needs to be updated to ensure it reflects recent changes to Local Delivery Planning arrangements.</p>	<p>In progress</p> <p>See paragraph 44.</p>
<p>2019 R2b Monitoring progress to deliver the IMTP</p> <p>A review of the Trust’s Performance Management Framework is well overdue, and the Framework now needs to be updated to ensure it reflects arrangements for monitoring delivery of the IMTP, clarifying the respective roles of the Board, the Finance and Performance Committee and the Strategic Transformation Board.</p>	<p>Complete</p> <p>See paragraph 27.</p>

- 30 The Trust’s approach to recovery and longer-term planning needs to be seen in the context of the unprecedented service pressures it is currently dealing with.
- 31 High levels of demand for emergency ambulances, including high levels of red calls (immediately life-threatening calls) are coming at the same time as ambulance crews are facing regular prolonged handover delays³ outside hospital emergency departments.

³ Healthcare Inspectorate Wales’ October 2021 Review of Patient Safety, Privacy, Dignity and Experience whilst Waiting in Ambulances during Delayed Handover shows that handover lost hours in August 2021 were the highest recorded. The 2021-22 Emergency Ambulance Services Committee (EASC) commissioning intentions include an intention that handover lost hours should not exceed 150 hours a day for 95% of the year, which would mean a monthly loss of about 5,000 hours. However, 13,969 hours were lost in August 2021.

- 32 There are also several internal factors which affect the Trust's ability to respond to external demand:
- workforce rosters across Wales which do not currently best match demand⁴;
 - working practices which require modernisation to maximise ambulance crew 'on call' time within shifts to increase capacity to respond to patients; and
 - high levels of staff sickness, including long-term sickness⁵. (See **Exhibit 2, R2017 R7**).
- 33 The number of ambulance hours lost to handover delays outside emergency departments is well documented and significant, with whole system action being required to address the problem. It also worth noting, however, that issues internal to the Trust can also contribute significantly to lost hours. A paper presented to the September 2021 Finance and Performance Committee showed that the Emergency Medical Services Response had 15,837 post-production lost hours (PPLHs) in August 2021, compared to 16,138 hours lost to handover delays in the same month.
- 34 As acknowledged by the Trust, together these pressures are preventing it from consistently delivering safe and timely services. For the month to 27 July 2021, the median wait for patients classified as Amber 1⁶ was about four times as long, compared to the same period in 2020. For patients classified as Amber 2, the median wait was about three times as long. For red calls, for July 2020 and 2021 respectively the median wait was 5 minutes 57 seconds and 7 minutes. The Welsh Ambulance Service has requested support from the military to drive ambulances through winter 2021. The September 2021 Finance and Performance committee was informed of '... a deteriorating picture in terms of the quality and safety of the service that [the Trust is] able to provide'.
- 35 The pressures facing the Trust are also limiting its capacity to deliver its transformation programme to schedule. Transforming the service is key to addressing some of the pressures within the system, for example, by reducing numbers conveyed to Emergency Departments. However, the November 2021 Finance and Performance Committee was informed that '... a third wave [of COVID], coupled with the indirect impact of COVID-19, and growing pressure across the health and care system has impacted [on the Trust's] ability to deliver a safe operational response alongside transformational aspects of the plan'. In response, to release staff to focus on frontline delivery, the Strategic

⁴ We note that the IMTP recognises that it is a priority to 'redesign rosters across Wales to better match demand, ready for implementation through 2022-23'.

⁵ In August 2021, papers presented to the Finance and Performance Committee showed that the number of ambulance crew unavailable for 'on call' was 44.9%. This includes unavailability due to training, annual leave etc, but ambulance crew sickness was 12% compared with a benchmark of 5.99%.

⁶ 'Amber' calls are defined as 'serious but not life threatening' and are further categorised into sub-categories.

Transformation Board has undertaken a prioritisation exercise to identify which IMTP deliverables to pause work on.

Systems of assurance

- 36 We found that **the Trust has further strengthened its risk management arrangements, and is embedding improvements to quality and safety assurance, but there are opportunities to improve the tracking of recommendations.**

Managing risk

- 37 We found that **the Trust has taken steps to further strengthen its risk management arrangements.**
- 38 In 2019-20 Internal Audit reached a judgement of 'reasonable assurance' on the 'adequacy and effectiveness of internal controls in operation, and the progress made towards embedding the Risk Management and Board Assurance Frameworks into business operations'. Internal Audit made eight recommendations, including one high priority recommendation related to the role of the Assistant Directors Leadership Team in monitoring or managing risks. The Trust's audit recommendations tracker states that all these recommendations are now complete.
- 39 In 2019, we recommended actions the Trust needed to strengthen its Board Assurance Framework. It has since completed actions to address these recommendations (see **Exhibit 2, R1**). The Board and its committees resumed scrutiny of the Board Assurance Framework in September 2020 (paused earlier in 2020 due to COVID-19).
- 40 There is an appropriate level of scrutiny of risks given the operational challenges the Trust faces. At each meeting, the Audit Committee and Board receives both the Corporate Risk Register and Board Assurance Framework for scrutiny. The Trust maps risks on the Corporate Risk Register to risks to achieving strategic priorities, and thus the Board Assurance Framework highlights where operational risks may impact on it achieving strategic intent. In September 2020 the Audit Committee moved away from its previous retrospective review of risks and is now provided with access to live Datix⁷ risk registers. The live risk register includes a wealth of information, including mitigating actions. Under this revised approach, Audit Committee members, receive a report on changes and actions taken since the previous meeting and are able view the 'live' information on the Datix system.

⁷ Datix is a web-based incident reporting and risk management system used by healthcare organisations.

- 41 Executives also scrutinise risks outside of the formal board and committee structures. As of 16 September 2021, there were 17 risks on the corporate risk register with two risks being assigned the maximum risk score: being unable to attend patients in the community who require 'See & Treat' services and patients being delayed on ambulances outside emergency departments. In a recent 'deep dive' into these two risks, the Assistant Directors Leadership Team identified several additional controls and actions being undertaken across the Trust to mitigate these two risks. Nonetheless, it was agreed that the highest possible score of 25 remained appropriate.
- 42 The Trust maintains a good overview of cyber security risks in its closed Audit Committee sessions and has improved its mechanisms for tracking cyber security related audit recommendations with responsibility for oversight of these now assigned to the Finance and Performance Committee.

Exhibit 2: progress made on previous year recommendations

Recommendation	Description of progress
<p>2019 R1 Board Assurance Framework</p> <p>The Board should explore ways to strengthen the Board Assurance Framework as a live and robust assurance tool for its corporate objectives by:</p> <ul style="list-style-type: none"> ensuring relevant committees and groups regularly review controls and assurances to assess their effectiveness and identify any gaps; and ensuring the relevant committees have regular oversight of the strategic objectives and risks assigned. 	<p>Complete</p> <p>Now committees receive and scrutinise a Risk Management and Committee Assurance Report each meeting which describes the risks assigned to the committee, along with the associated extract from the Board Assurance Framework.</p>

Quality and safety assurance⁸

- 43 We found that **the Trust continues to provide assurance on quality and safety during the pandemic and is looking to use the recently refreshed Quality Strategy to further improve its focus on quality and safety.**
- 44 In our 2019 Structured Assessment, we recommended that the Trust review its performance management framework to reflect changes in local delivery planning arrangements and include delivery monitoring arrangements. As of October 2020, the Trust has commenced work on a Quality and Performance Management Framework which is due to be completed by the end of March 2022. The revised Quality and Performance Management Framework will include a series of measures and metrics across the organisation to assess the Trust's progress towards delivering its strategic ambitions and objectives.
- 45 In our 2020 structured assessment, we concluded that the Trust has good overall arrangements for overseeing the quality and safety of its services and staff wellbeing. In response to the pandemic, the Trust largely did not change its arrangements for overseeing quality and safety. Since we reported in 2020, the Trust has delivered on all the actions it planned to further strengthen its approach to delivering high quality, safe services and staff wellbeing. Namely, it has refreshed its Quality Strategy (**paragraph 46**) and published a staff wellbeing strategy (**paragraph 48**).
- 46 In May 2021, the Board approved the Trust's refreshed Quality Strategy 2021-24 (the Quality Strategy), after prior approval by the QuEST Committee. The Quality Strategy is designed to support the Trust's long-term strategic framework Delivering Excellence 2030 and sets out how the Trust intends to meet the requirements of the Health and Social Care (Quality and Engagement) (Wales) Act 2020. The Quality Strategy recognises that 'quality' is multi-faceted and it is imperative that that it is delivered Trust-wide. The Trust is currently developing an implementation plan for the Quality Strategy, which will be complete by the end of March 2022.
- 47 The clinical audit programme has fully resumed following its suspension in March 2020 due to the pandemic.
- 48 In November 2020, the Trust published its staff wellbeing strategy 2020-24. This was an important development given the significant and well documented effect the pandemic and ever-increasing pressure on services has had on staff wellbeing. For example, papers to the People and Culture Committee of September 2021 reported that sickness absence rates have increased 'month on month with June recording 8.86% this is the highest level since January 2021 (10.52%)'. The

⁸ We have limited the work we have undertaken on quality governance arrangements as part of our 2021 structured assessment as we are undertaking a separate review of quality governance arrangements at the Trust. The review will consider whether the organisation's governance arrangements support delivery of high quality, safe and effective services. We will report our findings later in 2021.

strategy sets out a vision to value staff by considering their health and wellbeing. It contains objectives and frameworks to deliver and measure impacts on mental and physical health, financial and social wellbeing, and working environment. Each framework includes objectives and supporting information on how it will be implemented, and how it will be measured. Measurement is through the usage of services and survey responses.

- 49 The Executive Director for Workforce and Organisational Development provides the People and Culture Committee with updates on progress delivering the Health and Wellbeing Strategy 2020-2024 actions. However, it is not clear from these reports whether planned actions are being delivered on time. In addition, at the time of writing, the Trust had begun to implement the all-Wales COVID-19 workforce risk assessment tool which is recorded on the Electronic Staff Record to ensure it identifies and supports staff vulnerable to COVID-19, particularly staff from BAME groups.

Tracking progress against audit and review recommendations

- 50 We found that **there are reasonable arrangements to track delivery of audit and review recommendations.**
- 51 The Trust maintains an audit recommendations tracker that lists recommendations made by internal audit, Audit Wales, and other organisations. It tracks not due, partially complete, and overdue recommendations, actions, and related management responses. It also confirms which actions have been completed since the previous committee meeting.
- 52 Each recommendation is also assigned to a committee to scrutinise progress. At each meeting, the Audit Committee examines the full tracker. In our 2020 structured assessment, we noted that Audit Committee members requested that recommendations and completion dates be reviewed for its September 2020 meeting, to ensure recommendations remain relevant and that timescales for completion are realistic. This was done on schedule, and in some cases new completion dates were assigned.
- 53 A similar exercise was then also undertaken in September 2021. The review included a 'deep dive' into open recommendations from 2018-19 and 2019-20. The Trust's Executive Management Team recommended, and the Trust's Audit Committee accepted, that some of the outstanding recommendations from these years be closed with the work to address the recommendations being taken forwards as part of ongoing programmes. However, seven recommendations from these years remain open.
- 54 In 2020-21, Internal Audit examined a sample of internal audit recommendations to examine whether the Trust is appropriately recording recommendations as complete and concluded that the Trust is closing recommendations down appropriately. As of its September 2021 meeting, eight of 86 audit recommendations were overdue (three Audit Wales and five Internal Audit).

- 55 Alongside last year's structured assessment, internal audit completed an advisory review of the Trust's COVID-19 governance arrangements which identified areas for improvement. As of August 2021, 17 low priority improvement areas are outstanding, but all high priority improvement areas outstanding have been addressed.

Managing financial resources

- 56 Our work considered the Trust's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 57 We found that **the Trust continues to meet its financial duties and has appropriate arrangements for monitoring and reporting its finances.**

Achieving key financial objectives

- 58 We found that **the Trust met its financial duties for 2020-21 and whilst it is reporting it is on track to achieve break-even in 2021-22, it will need to closely monitor achievement of savings plans.**

Financial performance 2020-21

- 59 The Trust met the statutory financial duties for the three-year period, covering 2018-2021. Internal Audit's review of the Trust's financial plan for 2021-22 noted the Trust set expenditure budgets within the total resource envelope available to achieve financial balance. This is in line with the Trust's Statutory Financial Instruments and the statutory break-even duty.
- 60 In 2020-21, the Trust made a small surplus on operations of £0.07 million. Over the three-year period, the Trust made a cumulative surplus of £0.172 million. The Trust also spent within their capital expenditure limit of £16.2 million. This included investment of £7.0 million on the Trust's vehicles, £4.2 million on information technology and £2.1 million invested in the development of a new base in Cardiff.
- 61 The Trust's 2020-21 budget was approved by the Trust's Board on 26 March 2020 but prepared before the pandemic took impact. As a result, the budgeting assumptions and targets were set envisaging 'business as usual'. Total income was budgeted to be £211.3 million and expenditure of £215.6 million, with the shortfall being met through savings (£4.3 million).
- 62 In line with previous years, the Trust's main income was revenue from patient care activities. Income primarily came from the commissioning committees⁹, which provided 71% of total Trust income. Local health boards also contributed £35 million (15%). Whilst the pandemic reduced some other revenue streams, such as

⁹ The commissioning committees are the Welsh Health Specialised Services Committee (WHSSC) and the Emergency Ambulance Services Committee (EASC).

income from attending sporting events, this was offset by income in other areas being above the budget, predominantly VAT reclaims (£0.593 million). Overall, income received was above budget. Non-pay-expenditure was £0.618 million greater than the budgeted amount, and pay expenditure being £0.139 million below budget.

- 63 Despite the pandemic, the Trust achieved its 2020-21 savings target of £4.3 million. Most savings (£2.5 million) were achieved from non-pay expenditure, although this was 12% below the budgeted figure and was offset by pay expenditure savings being 22% above target (£1.8 million in total).
- 64 Following the emergence of the pandemic and the subsequent response by the Trust, additional expenditure arose. The Trust recorded these expenses within a COVID-19 expenditure log rather than within regular service budgets. The pandemic required additional expenditure in a range of areas, such as additional staff pay and additional cleaning costs. For 2020-21, the Welsh Government provided the Trust with a total of £21.7 million, which included £13.8 million of additional funding to cover the costs of the pandemic. This was spent in the following areas:
- £6.2 million additional non-pay expenditure
 - £3.9 million additional pay expenditure (including Annual Leave Accrual of £1.8 million)
 - £3.7 million for the bonus payment awarded to all NHS staff

Financial performance 2021-22

- 65 At the end of the fifth month of the 2021-22 financial year, the Trust reported a cumulative revenue financial position of a small underspend against budget of £8,000. The year-end forecast for 2021-22 is a balanced position. Additional expenditure of £2.2 million due to COVID-19 has been incurred. The year-to-date savings targets have been exceeded. The Trust has achieved gross savings of £1.888 million against a target of £1.760 million.
- 66 The Trust's financial plan for 2021-22 assumes that the Welsh Government will continue to fund all additional COVID-19 expenditure. The Trust informed us that this was a prudent assumption for several reasons. It is in frequent dialogue with the Welsh Government over COVID-19 expenditure. The Trust's COVID-19-related costs are relatively low in the context of that incurred by the wider NHS in Wales. In September 2021, the Director of Finance told the Finance and Performance Committee there was confidence that the Welsh Government would continue to meet the unavoidable direct costs the Trust incurs due to the pandemic.
- 67 The financial plan for 2021-22 includes a savings requirement of £2.8 million to balance the Trust's budget. Whilst the Trust has succeeded in achieving savings plans in previous years, the IMTP makes clear that previous savings were non-recurring. As a result, new savings will be required to balance the budget. In August 2021, the Trust informed the Welsh Government that it was not clear

whether all planned savings¹⁰ would be achieved in-year. The Trust recorded failing to meet their savings target as a low category risk for two reasons. Firstly, because it could still achieve break-even without meeting its full savings target through underspends in other areas. Secondly, it has demonstrated good performance to date against its savings targets (**paragraph 65**). The Welsh Government has indicated that any shortfall would need to be managed locally.

68 In line with our 2020 findings, it remains that case that the Trust must carefully manage its savings projects, particularly given the lack of clarity about whether it will meet its 2021-22 savings targets and the risk it may not receive full reimbursement for COVID-19 expenditure.

Financial controls

69 We found that **the Trust has effective financial controls, suitable arrangements for preventing and detecting fraud, and improved processes for signing off COVID-19 expenditure.**

70 The Trust did not significantly change its financial controls during the pandemic. In our 2019 structured assessment we judged these financial controls to be 'generally effective'. However, we recommended that the Trust 'improve the clarity and detail of the regular reports on single tender actions provided to the Audit Committee to enable effective and robust scrutiny'. All actions to address this recommendation were complete by April 2021, one year after the agreed deadline.

71 In our 2020 structured assessment, we concluded that the Trust's Standing Financial Instructions are '... clear on the procedure where tender arrangements may need to be waived' (see **Exhibit 3, R4**). In that year we did not make any formal recommendations but noted the Internal Audit finding that the Trust needed to improve sign-off processes for COVID-19 expenditure and strengthen controls for additional payments to staff. Both improvements have been implemented. The Trust has since progressed to more of a 'business as usual' approach to sign-off processes and has retained an audit log of approvals. Additional payments were already the subject of review and approval with an audit log maintained. The Trust has now withdrawn the facility for staff to claim additional payments¹¹ with no intention to open this up again, as it was only ever intended to be a short-term provision.

¹⁰ Later in 2021-22, Internal Audit plans to review how the Trust identifies and delivers savings.

¹¹ In recognition of the excessive hours contributed by senior managers across the Trust, eligible staff were allowed to claim a compensatory allowance of 10 or 15%, depending on the additional work undertaken, in lieu of itemised overtime payments.

72 The Trust has made use of a pre-existing Chairs Actions procedure through which the Board Chair and a stipulated number of Board Members approve transactions above the Chief Executive's delegated limit. Where this procedure has been used, it was subsequently reported to the Board.

73 Internal Audit's August 2021 review of financial planning and budgetary control awarded a reasonable assurance rating to the following two areas of financial control:

- process for delegating budgets to budget holders; and
- maintaining an authorised signatory list which identifies the individuals permitted to approve expenditure against each cost centre and their financial limits.

The same review also found that, whilst the process design for approving and actioning virements appeared reasonable, as there were no examples Internal Audit could use to test, it was unable to award an assurance rating in this area.

74 The report also concluded that 'Financial monitoring and reporting operate across all levels of the Trust structure' but also 'observed a low level of notes or minutes of budget holder meetings to evidence meeting outcomes or actions'. Consequently, it recommended that the Trust develop an approach to ensure that the frequency of budget holder meetings reflects the scale of the budget, and it improve the recording of actions/outcomes of budget holder meetings. In response the Trust has committed to developing a template to capture consistently the outcomes/ actions of budget holder meetings.

75 Our November 2020 assessment of the arrangements of the Welsh Ambulance Service NHS Trust for preventing and detecting fraud¹² concluded 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'. Our recommendations to ensure sufficient capacity and improve risk management arrangements for counter-fraud risks have been completed. There is one outstanding recommendation to improve staff awareness and responsibilities for counter-fraud.

¹² Audit Wales, [Welsh Ambulance Services NHS Trust – Effectiveness of Counter-Fraud Arrangements](#), November 2020

Exhibit 3: progress made on previous year recommendations

Recommendation	Description of progress
<p>2019 R3 Capital planning</p> <p>The Trust needs to develop a less annualised approach to capital planning. It should develop an asset management strategy to help plan the use of capital in a more joined up way over the medium term.</p>	<p>In progress</p> <p>The Trust has yet to finalise an asset management strategy, but the remit of the Capital Management Board includes managing this work.</p>
<p>2019 R4 Single tender actions</p> <p>Improve the clarity and detail of the regular reports on single tender actions provided to the Audit Committee to enable effective and robust scrutiny, for example:</p> <ul style="list-style-type: none"> • including greater level of detail as to why the action was needed; and • providing narrative to describe variations between budgeted and actual cost. 	<p>Complete</p> <p>See paragraph 70</p>
<p>2018 R6a Oversight and ownership of procurement</p> <p>Improve the oversight and ownership of the procurement activity undertaken on its behalf by NWSSP, by reviewing the Service Level Agreement (SLA) between the Trust.</p>	<p>Complete</p> <p>The procurement element of the SLA has been reviewed. Also, the Trust receives quarterly performance reports from NWSSP which include coverage of the procurement element, and has regular discussions with NWSSP senior procurement colleagues.</p>

Monitoring and reporting

- 76 We found that **the Trust provides Board and Committee members with sufficient, clear information to enable effective financial monitoring.**
- 77 The Trust reports its financial performance to the Board and to the Finance and Performance Committee. Both receive a report detailing financial performance to the most recent completed month against targets. The report breaks down performance in each area, such as income, pay expenditure, and non-pay expenditure. It also includes a breakdown of COVID-19 additional expenditure. The report also includes an update on savings to date, capital expenditure, and

financial risks and assumptions. This information is sufficiently detailed and clearly displays the performance of the Trust to the Board and Committee. In addition, the information is publicly accessible as it is published within the agenda in advance of Trust board meetings.

- 78 The Trust is required to submit a monthly monitoring return to the Welsh Government detailing its financial performance and compared to forecasted performance. The Board and the Committee are also provided with copies of the monthly returns to scrutinise.



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We welcome correspondence and telephone calls in Welsh and English.
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