

---

# London Ambulance Service NHS Trust

---

Annual Audit Letter

Audit 2006/07

August 2007

---



External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### Status of our reports to the Trust

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

### Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



# Contents

<b>Summary report</b>	<b>4</b>
Key messages	4
Recommendations	4
<b>Purpose, responsibilities and scope</b>	<b>5</b>
<b>Audit of the accounts</b>	<b>6</b>
<b>Trust's use of resources</b>	<b>7</b>
Value for money conclusion	7
Auditor's local evaluation judgement (including financial standing)	7
Specific risk-based work	8
National Fraud Initiative	9
<b>Closing remarks</b>	<b>10</b>

## Summary report

### Key messages

- 1 The following key messages are brought to the attention of the Board.
  - There were no material matters to draw to the attention of the Audit Committee before giving the audit opinion on the financial statements and value for money conclusion.
  - The Trust achieved a surplus of £113k for the 2006/07 year and met its key statutory financial performance targets, continuing its record of sound financial management.
  - The Trust had proper arrangements in place to secure value for money in the use of resources.
  - Although the Trust is performing well overall, the Board should monitor progress and outcomes against the various plans in place to further improve the Trust's performance under the Auditor's Local Evaluation.

### Recommendations

#### *Recommendation*

*R1 Implement the Trust's planned actions in 2007, to improve the Trust's performance under the Auditor's Local Evaluation. This is especially relevant to the element of Internal Control, currently performing to an adequate standard, so that the category attains the 'performing well' standard to match the remaining elements within ALE.*

## Purpose, responsibilities and scope

- 2 This Annual Audit Letter (letter) summarises the key issues arising from our work carried out during the year. I have addressed this letter to the directors and members of the Trust as it is the responsibility of the Trust to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Trust in meeting its responsibilities.
- 3 The letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition the Trust is planning to publish this letter on its website.
- 4 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Trust's accounts; and
  - whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 5 Also, the Audit Commission uses my assessments to provide scored judgements for the Healthcare Commission to use as part of its annual health check.
- 6 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that I consider the Trust should be addressing. I have listed the reports issued to the Trust relating to the 2006/07 audit at the end of this letter.

## Audit of the accounts

- 7 I issued an unqualified opinion on the Trust's accounts on 21 June 2007, before the deadline set by the Department of Health. In my opinion, the accounts give a true and fair view of the Trust's financial affairs and of its income and expenditure for the year.
- 8 Before giving my opinion I reported to those charged with governance, in this case the Audit Committee, on the issues arising from the 2006/07 audit. I issued this report on 18 June 2007.
- 9 The accounts were produced on time and the Trust responded well to our requests for further information during the audit. There were no material matters to draw to the attention of the Audit Committee before giving the audit opinion.
- 10 The Trust amended for three minor adjusted misstatements, and received three other recommendations, summarised here:
  - review data for the calculation of staff costs and average numbers;
  - the Trust should adhere to the Better Payment Practice Code; and
  - confirm with Inland Revenue the timing, nature and balance of the tax provision for ambulance crew's expenses.
- 11 The Trust met all of its statutory key financial performance targets.

**Table 1 Financial performance**

Statutory target	Achieved	Performance
Statutory breakeven duty	✓	The Trust's in-year surplus was £113k and cumulative position of £1,446k.
Capital Resource Limit	✓	The Trust undershot its limit of £10.423m by 2.804m.
External Financing Limit	✓	The Trust met its limit of £5.828m.
Capital Cost Absorption Rate	✓	The Trust's rate of 3.99 per cent was inside the target range of 3 per cent to 4 per cent.
<b>Other target</b>		
Better Payment Practice Code	×	The number of non-NHS invoices paid within 30 days in 2006/07 was 83 per cent (79 per cent 2005/06). The number of NHS invoices paid within 30 days in 2006/07 was 77 per cent (71 per cent 2005/06). [Target rate 95 per cent]

## Trust's use of resources

- 12 I am required to conclude on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 13 I am also required to assess how well NHS organisations manage and use their financial resources by providing scored judgements on the Trust's arrangements in five specific areas. This is known as the auditor's local evaluation (ALE). The Audit Commission provides the scores to the Healthcare Commission (HC) to use as part of its annual health check.

### Value for money conclusion

- 14 I concluded that the Trust had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

### Auditor's local evaluation judgement (including financial standing)

- 15 I assessed the Trust's arrangements in five areas. We scored each area from 1 to 4 where:
- 1= inadequate and below minimum standards;
  - 2 = adequate;
  - 3 = performing well; and
  - 4 = performing strongly.
- 16 I issued a detailed report supporting our assessment and highlighting areas for improvement to the Trust on 10 September 2007. The scores *at this stage are draft*, but the Trust has performed well, with just one area, internal control, being at minimum requirements rather than above them.

**Table 2 ALE scores**

Element	Assessment
Financial reporting	3
Financial management	3
Financial standing	4
Internal control	2
Value for money	3

(Note: 1 = lowest, 4 = highest)

- 17 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- The Trust's strong performance in financial standing improved the score from 3 to a 4. The Trust made a £113k surplus, met the key statutory financial performance targets and has a strong track record of service improvement.
  - Internal Control continues to perform adequately, although the Trust already has plans in place to improve this element, with for example, a review of the procedure notes and manuals for the Trust's business critical systems planned for 2007.
- 18 Other improvements were made in 2006/07 in some of the subcategories within the elements above and the Trust is working to improve its performance.

### Specific risk-based work

- 19 The audit plan also included a review of Agenda for Change (AfC) and workforce contracts, which assessed the extent to which the organisation is likely to achieve the benefits of implementing AfC, against five key improvement themes:
- strategic fit;
  - financial management;
  - redesign and modernisation;
  - benefits realisation; and
  - value for money.
- 20 The review indicates that the Trust has set AfC into its strategic plan, making good progress against its key objectives and challenges. There are already good illustrations of positive changes that have happened as a result of AfC, with for example, the introduction of new staff roles and regular appraisals for staff, which will develop skills and competencies of staff. The Trust has started to use AfC to shape workforce structures and support staff in their professional development.
- 21 At the same time, the review found that the Trust also faces challenges in securing the improvements under AfC. The Trust will need to embed many of the processes so that progress can continue to be made. To this effect, the Trust is already planning to expand the organisational development and people programme in line with the Trust's strategy. At the same time, the Trust should ensure that workforce planning is robust in the interim period, whilst working towards the longer term objectives in the Strategic Plan.
- 22 The Trust has also set itself the target of improving the accuracy of the workforce data set, extrapolated from the national electronic staff record (ESR) system. This should provide a better overview of performance, a more complete picture of its staff and facilitate effective planning.



## National Fraud Initiative

- 23 The National Fraud Initiative (NFI) is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 24 The Trust has made progress in evaluating the NFI data and reviewing the cases relating to matches on payroll. The local counter fraud specialist has also been involved in taking this action forward. The Trust must ensure, however, that all categories of cases are evaluated for further action, including other data, for example, relating to invalid National Insurance numbers.

## Closing remarks

- 25 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present the letter at the Audit Committee on 10 September 2007 and will provide copies to all Board members.
- 26 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the Trust during the year.

**Table 3 Reports relating to the 2006/07 audit**

Report	Date of issue
Audit plan	March 2006
Report to those charged with governance	18 June 2007
Opinion on financial statements	21 June 2007
Value for money conclusion	21 June 2007
Final accounts memorandum	10 September 2007
Auditors' local evaluation	10 September 2007
Annual audit letter	10 September 2007

- 27 This has been another challenging year for the Trust. Staff and management have taken a positive and constructive approach to our audit, and I would like to take this opportunity to express my appreciation for the Trust's assistance and co-operation.

**Sue Exton**  
**Engagement Lead**

August 2007