



# Annual Audit Letter 2018-19

**North West Ambulance Service NHS Trust**

July 2019

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This report is addressed to North West Ambulance Service NHS Trust and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.





# Introduction

# Introduction

## Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2018-19 audit at North West Ambulance Service NHS Trust. Although this letter is addressed to the Directors of the Trust, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish this letter on the Trust's website.

In the letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance where appropriate. We have included a summary of our key recommendations in Appendix A. We have reported all the issues in this letter to the Trust during the year and we have provided a list of our reports in Appendix B.

## Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

<b>Financial Statements including the regularity opinion and Governance Statement</b>	<p>We provide an opinion on the Trust's accounts. That is whether we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year.</p> <p>We confirm that the Trust has complied with the Department of Health (DoH) requirements in the preparation of its Annual Governance Statement.</p> <p>We also confirm that the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.</p>
<b>Value for Money arrangements</b>	<p>We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources.</p>

# Introduction (cont.)

## Adding value from the External Audit service

We have added value to the Trust from our service throughout the year through our:

- attendance at meetings with members of the Audit Committee to present our audit findings, broaden our knowledge of the Trust and provide insight into sector developments and examples of best practice;
- proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- incorporation of data analytics into our programme of work to, for example, identify high risk journals for testing and in our testing of payroll transactions;
- review of general IT controls in place at the Trust highlighting any control weaknesses and areas for improvement; and
- strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

## Fees

Our fee for 2018-19 was £67,260 (2017-18: £62,500) excluding VAT. This includes an additional fee of £4,760 that was raised as a result of the additional work required over the general ledger upgrade.

We have also completed the following pieces of non-audit services at the Trust during the year:

<b>Non Audit fees - other assurance services</b>	<p>KPMG provide the ISAE3402 report for NEP, a shared service provider for 35 NHS Trusts</p> <p>The value of Services Delivered in the year ended 31/03/19 was £67,220 total which equates to £1,817 per Trust.</p> <p>Potential threat to auditor independence and associate safeguards in place-</p> <p><b>Self-interest:</b> This engagement is entirely separate from the audit through a separate contract. The team is a different team to the audit team. The fee rate is low per trust in comparison to the audit fees and is not contingent on any outcomes from the assurance work.</p> <p><b>Self-review:</b> The nature of this work is to provide an independent assurance report to the relevant external body. This does not impact on our other audit responsibilities.</p> <p><b>Management threat:</b> This work provides a separate assurance report and does not impact on any management decisions.</p> <p><b>Familiarity:</b> This threat is limited given the scale, nature and timing of the work.</p> <p><b>Advocacy:</b> We will not act as advocates for the Trust in any aspect of this work. The output is an independent assurance report to the relevant external body.</p> <p><b>Intimidation:</b> not applicable to this areas of work.</p>
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# Headlines

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This section summarises the key messages from our work during 2018-19.

<b>Financial Statements audit opinion</b>	<p>We issued an unqualified opinion on the Trust's accounts on 28<sup>th</sup> May 2019. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year.</p> <p>There were no significant matters which we were required to report to 'those charged with governance.'</p>
<b>Financial statements audit work undertaken</b>	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £6m (2017-18: £6m).</p> <p>We identified the following risks of material misstatement in the financial statements as part of our External Audit Plan 2018-19:</p> <p><b>1. Management override of control</b> - Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We also considered the risk here that material misstatements may arise from the manipulation of expenditure recognition and that there is a heightened risk of management override of control based upon the incentives and performance oversight offered and deployed by NHSI during the 2018/19 period.</p> <p>Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, no instances of fraud were identified.</p> <p><b>2. Fraudulent Revenue Recognition</b> – Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants. We classified NHS income and receivables as a significant risk to respond to this requirement.</p> <p>We have carried out procedures in line with our planned approach and have not identified any issues to report to you.</p> <ul style="list-style-type: none"> <li>— We assessed the outcome of the agreement of balances exercise, for income and receivables, with other NHS bodies and compared the values reported to the value of revenue captured in the financial statements. We sought explanations for any variances over £300,000;</li> <li>— We inspected all material items of income in the March and April 2019 bank statements to identify if there were any income receipts that were incorrectly accounted for in the 2018/19 financial statements;</li> <li>— Agreed the receipt of PSF funding monies to correspondence from NHSI.</li> <li>— We searched for unusual journal account code combinations posted before and after the year end that could indicate possible manipulation of the year end position. No issues were identified with this testing.</li> </ul>

# Headlines (cont.)

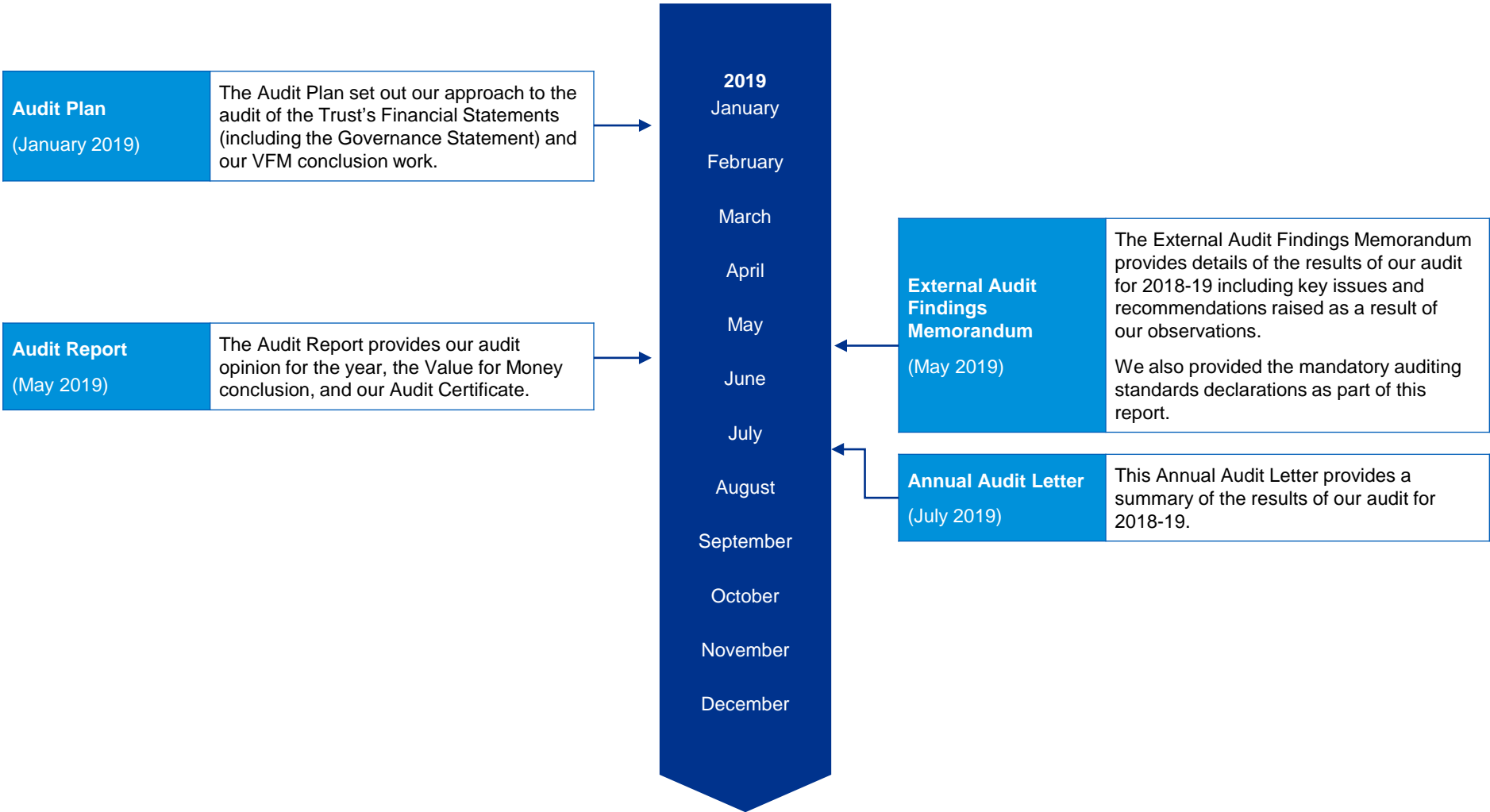
<b>Financial statements audit work undertaken (cont.)</b>	<p><b>3. Valuation Of PPE</b> – There is significant judgment involved in determining the appropriate basis (EUV or DRC) for each asset according to the degree of specialization, as well as over the assumptions made in arriving at the valuation.</p> <ul style="list-style-type: none"> <li>— We assessed the competence, capability, objectivity and independence of the Trust's external valuer and tested the accuracy of the estate base data provided to the valuer to complete the desktop valuation to ensure it accurately reflected the Trust's estate, including key assumptions made by the valuer and information provided by the Trust to complete the valuation. We challenged the valuer's assessment that there had not been a material change in valuation at the balance sheet date since the date of the desktop review and raised a low priority recommendation in relation to the date of the future full revaluation of the Trust's property in 2019/20.</li> <li>— We critically assessed the Trust's processes in place to identify and formally consider any indications of impairment and surplus assets within its estate. Whilst there are processes in place there is no formal written decision documents produced by the Trust. We raised a medium priority recommendation in relation to this.</li> <li>— We compared the asset value movements from the valuer's report to the entries in the fixed asset register This included a re-performance of the entries to confirm that any material movements in the value of land and building assets had been accounted for correctly.</li> <li>— We tested the material in year movements including the bringing into use of assets that were previously under construction and ensured that the disclosures made were in line with the requirements of the DHSC Group Accounting Manual 2018/19.</li> </ul> <p>We did not identified any issues, other than the recommendation referred to above, in relation to this risk as a result of our work.</p>
<b>Governance Statement</b>	We confirmed that the Trust complied with the Department of Health requirements in the preparation of the Trust's Annual Governance Statement
<b>Whole of Government Accounts</b>	We issued an unqualified Auditor Statement on the Consolidation Schedules prepared by the Trust for consolidation into the Whole of Government Accounts with no exceptions
<b>Value for Money (VFM) conclusion</b>	We are required to report to you if we are not satisfied that the Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the findings of our work, we have nothing to report
<b>VFM conclusion risk areas</b>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>We did not identify any significant risks relating to VFM but we did undertake a thorough risk assessment process focusing on the following areas; financial sustainability and delivery of CIP, the Trust's asset programme and the Patient Transport Service and PES Performance.</p>
<b>Recommendations</b>	<p>We are pleased to report that there are no high risk recommendations arising from our 2018-19 audit work</p> <p>The Trust has been good at implementing agreed audit recommendations from prior years.</p>
<b>Public Interest Reporting</b>	There were no matters in the public interest that we needed to report or refer to the Secretary of State in 2018/19.





# Appendices

# Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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