

# Auditor's Annual Report

North West Ambulance Service NHS  
Trust – year ended 31 March 2021

July 2021



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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North West Ambulance Service NHS Trust ('the Trust') for the year ended 31 March 2021. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 11 June 2021. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2020/21 financial year.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 11 June 2021 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

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# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 11 June 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

## Qualitative aspects of the Trust's accounting practices

We reviewed the Trust's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2020/21, appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 28th April 2021 and were of a good quality. Working papers were available in line with agreed timescales and the finance team responded promptly to our queries allowing for an efficient audit.

## Significant matters discussed with management

During 2020/21 the Trust received £7.6m of consumables inventory which was centrally procured by DHSC to help the Trust manage the Covid-19 pandemic. The Trust elected to treat the whole amount as consumed in year and included the £7.6m in expenditure with an equal entry in income to recognise the donation of the inventory. The Trust concluded that any residual inventory unused at year end would not have a material impact on the year end inventories balance and therefore not included this on the Statement of Financial Position. Based on the values involved we are satisfied this does not create a material understatement of the Inventories balance as at the year end.

Due to the impact of the Covid-19 pandemic on the ability of staff to take annual leave, the Trust has received funding of £3.5m to mitigate the impact of the increase in the annual leave accrual. As this funding is based on management's estimate of the annual leave accrual, we completed a detailed review of the estimate and underlying methodology to confirm the calculation was reasonable and supported by appropriate evidence. Our review confirmed the annual leave accrual was supported by payroll records and staff returns breaking down the amount of leave carried over into the new financial year. This allowed for an accurate estimate to be made and included in the financial statements.

## Significant difficulties during the audit

We did not encounter any significant difficulties during the course of the audit.

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Trust plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Trust ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

The table below summarises the outcomes of our work against each reporting criteria. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No



# 3. VFM arrangements - Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to the NHS financing regime in 2020/21

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020-21 was suspended and a new financial regime was implemented. For the first half of the year (April to September 2020) all NHS trusts and NHS foundation trusts were moved to block contract payments 'on account' and the usual Payment by Results national tariff payment process was suspended. The Financial Recovery Fund was also suspended and NHS providers were able to claim for additional costs due to COVID-19. Whilst commissioner allocations for 2020-21 had already been notified, individual commissioner financial positions were kept under review and top-up payments were issued to commissioners to cover the difference between allocations and expected costs to pass on to providers.

For the second half of the year (October 2020 to March 2021) there was a move to "system envelopes" with funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. There were no further general retrospective top-up payments and all Covid-19 costs from that point were funded through the fixed Covid-19 funding allocation with a few exceptions.

Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. However, NHS trusts and foundation trusts were still required to meet statutory break-even duty and CCGs required to meet their resource limits.

### The Trust's financial planning and monitoring arrangements

Based on the initial arrangements put in place by NHSI/E, the Board of Directors approved emergency budgets in May 2020 which provided for a break-even position. This enabled some iterative financial planning arrangements to be put in place for the second half of 2020/21. This involved NWS working in partnership with other Trusts and CCGs within the North West through the Lancashire and South Cumbria Integrated Care System, and under the direction of the regional office of NHSI/E. The financial plans for the second half of 2020/21 were based upon forecasting requirements for the winter period, taking account of workforce plans, run rates from the first half of the year, continuation of COVID costs and cost pressures known to the Trust. Via agreement with ICS partners, NWS was awarded income for the period of £205m with a projected deficit of £4.8m. We reviewed the assumptions underpinning the revised plan, the reports sent to the Board and the minutes of relevant meetings where the revised financial plan was considered. We confirmed that the assumptions made by management appeared reasonable, the reports were clear and concise, and adequate scrutiny was evident at the approval meeting.

The Trust has reported an adjusted outturn position at 31 March 2021 of £2.2m deficit, which equated to an adjusted financial surplus of £0.5m after allowing for the impact of revaluations, impairments and consumables donated by DHSC. We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11.

During the year the Trust reported its financial position to the Resources Committee. We reviewed a sample of reports presented for 2020/21, which contain detail of performance by Directorate with explanations for any significant variances against budget. The Finance reports also identify risks to the financial position and mitigating actions being taken by the Trust to ensure delivery of the planned position..

### The Trust's arrangements for the identification, management and monitoring of funding gaps and savings

In recent years, the Trust has delivered surpluses and operated within its financial performance measures including achievement of the breakeven duty. No financial savings were required to be delivered during H1, however financial planning for H2 required NWS to deliver £1.2m (non-recurrent) efficiencies to enable it to achieve its £4.0m deficit requirement. These savings were reported on internally to the Resources Committee. The year end outturn confirmed the Trust has achieved the planned efficiencies.

The financial plan for 2021/22 includes a productivity target of £10.4m, which is a similar level to previous years at c. 2.9% of the Trust's turnover. The Trust has established an efficiency and productivity oversight group to develop programmes of work during Q1 of 2021/22. Schemes will require Quality Impact Assessments and will be signed off by the Director of Nursing and the Medical Director.

### The Trust's arrangements and approach to 2021/22 financial planning

For the first half of 2021/22 the NHS funding regime will remain as it has for the second half of 2020/21. The arrangements will continue to include system funding envelopes, and block payments will remain in place for relationships between CCGs and NHS providers. NHS England and improvement (NHSE/I) have nationally calculated CCG and NHS provider organisational plans as default positions for systems and organisations to adopt and provide a starting point for budget management without the need to complete an extensive planning process.

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# 3. VFM arrangements - Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

The requirement had been to submit plans for the first half of 2021/22. However, the Trust was keen to understand the full extent of financial pressures it faced and therefore developed plans to cover the full twelve month period 2020/21.

In March 2021, the Trust developed a baseline budget for 2021/22 based on a forecast breakeven position. The plan submitted by the Trust includes assumptions around staffing levels, pay awards and recurrent COVID-19 expenditure. It is based on block funding based on 2020/21 values adjusted for inflation. The baseline budget includes an efficiency and productivity target of £10.4m. This is based on the Trust's prudent assumptions of income levels known at the time of producing the annual plan, and in advance of receiving formal guidance on funding arrangements for the second half of the financial year. As discussed on the previous page the Trust has arrangements in place to develop schemes as part of the efficiency programme.

We have critically assessed the underlying assumptions used in the 2021/22 financial plan. We have also considered the Trust's achievement of financial targets in 2020/21 (and prior years) and we have reviewed the savings plans in place for 2021/22 and the Trust's wider plans for mitigation of these funding gaps, including its contribution to the performance monitoring of the wider system. It is clear that the Trust is closely monitoring progress against plan to date, is fully aware of where the gaps lie, and continues to identify mitigating actions to bridge the funding gap. Therefore, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to financial sustainability.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### The Trust's risk management and monitoring arrangements

Risk management at the Trust is guided by the Risk Appetite Statement which is reviewed by the Board on an annual basis. During 2020/21, NWS completed a refresh of its Risk Management Strategy which defines the broad aims and principles of risk management across the Trust. This is supported by the Trust's Policy on Risk Management which details the risk management process used within the Trust.

The Policy on Risk Management defines several levels of risk register and sets clear responsibilities for period review of the register at each level. NWS uses the Datix system to record its full range of organisational risks. The culmination of this is the corporate risk register reviewed by Board on a quarterly basis which is integrated into the Board Assurance Framework. The BAF outlines 11 strategic risks linked to the strategic priorities of the Trust. These are linked to the Trust's Risk Appetite Statement as appropriate. Any risk on the Corporate Risk Register with a score of 15 or more is reported in the BAF as part of regular reporting to the Board.

We have reviewed the minutes of the monthly SMT meetings within the Finance Directorate covering finance, procurement, fleet and estates. Detailed discussions take place on risks scored 12+ and risks due for regular review. Risks are reported on a monthly basis to the Resources Committee. We also reviewed the quarter 4 Corporate Risk Register and confirmed each risk identified is assigned a lead with overall responsibility for the risk. Each risk is scored on the basis of likelihood and consequence to provide an overall score and controls are identified which mitigate the level of risk. The register also identifies sources of assurance and gaps in controls/assurances as areas of focus for action. Regular review dates are in place and reported within the Corporate Risk Register.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Trust has appointed internal auditors and local counter fraud specialists. Work plans are agreed with management at the start of the financial year and are reviewed by Audit Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2020/21 and 2021/22. We have confirmed the plan is developed in conjunction with management and covers the major operational areas of the Trust. The Audit Committee reviews and approves the plan at the start of each financial year providing oversight and assurance that the scope of the plan is appropriate for the Trust's needs. Progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates allowing those charged with governance to effectively hold management to account.

The work of internal audit culminates in the annual Head of Internal Audit Opinion which, for 2020/21, provides substantial assurance over the system of internal controls at the Trust.

### The Trust's arrangements for budget setting and budgetary control

The Trust's budget setting process is based on national guidelines which sets out the assumptions and processes in place. The outcome of the Trust's baseline budget setting process is set out in the previous section.

Budgetary control guidelines are shared annually with all budget managers and formal sign off of the budget is obtained from the budget manager. We have reviewed a sample of budgets and confirmed the budget holder had signed off their budget as approved as part of the budget setting process.

Following consolidation of the individual operational budgets, the Trust-wide plan is taken through the Trust governance process including the Resources Committee and Board of Directors. Our review of minutes confirms this to be the case, with papers covering the Trust's I&E position, statement of financial position, forecast cash and capital expenditure, and links into the Trust's planned efficiencies.

Budgetary control is a continuous process at the Trust. The Trust is required to formally report its financial position and forecast outturn at each month end to NHSI/E. As part of these monthly returns, and annual planning rounds, the Trust is required to submit a triangulation file which reconciles activity, workforce and finance returns to ensure consistency. We have reviewed an example monthly return alongside the year-end return submitted to NHSI/E. In each case the return reconciles to the financial position reported to the Resources Committee.

As set out in the previous section the financial position is reported to the Resources Committee each month and includes sufficient detail to allow for effective review and challenge at the senior leadership level.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria continued

### The Trust’s decision making arrangements and control framework

The Trust has an established governance structure in place which is set out within its Annual Governance Statement. This is underpinned by the Trust’s Core Governance Documents. Executive Directors have clear responsibilities linked to their roles and the Board Sub-Committee structure in place at the Trust allows for effective oversight of the Trust’s operations and activity.

The Trust’s Core Governance Documents are reviewed on an annual basis and updated in line with latest best practice. During 2020/21 the Trust’s Standing Orders, Standing Financial Instructions and Scheme of Delegation were subject to review by Executive Leadership Committee and Audit Committee prior to being approved by the Board of Directors. We have confirmed this through our review of Board and committee minutes and papers.

Financial investment decisions are supported by full business cases and are reviewed by Executive Leadership Committee (ELC). Business cases set out the strategic objectives of the project and include a full option appraisal analysis taking account of both financial and non-financial factors of all options including ‘Do nothing’. Once approved by ELC, projects are taken to Resources Committee to allow for scrutiny prior to final Board sign off in line with the Trust’s Scheme of Delegation.

We have reviewed a sample of business cases approved by the Trust Board of Directors and ELC and confirmed they included a comprehensive justification supporting the business case covering areas including strategic needs, commercial basis and a financial analysis. The business cases included a cost-benefit analysis and options appraisal. Sufficient information was included to allow for proper scrutiny. The cases had been through the appropriate approval process based on their relative values.

The Trust has a full suite of governance arrangements in place. These are set out in the Trust’s Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust’s arrangements in place. This includes arrangements such as registers of interests being maintained and published and the Board completing an annual review of its compliance with the conditions of the NHS provider licence.

Based on the above considerations, we are satisfied there is not a significant weakness in the Trust’s arrangements in relation to governance.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### The Trust’s arrangements for assessing performance and evaluating service delivery

The Board of Directors received monthly integrated performance reports detailing the Trust’s performance against key metrics ranging from the number of complaints to ambulance response times and levels of sickness absence. The data has been reported on a consistent basis and explanations provided for performance.

The Trust has been able to use performance data to adapt its ways of working in response to the COVID-19 pandemic. An example of this is the Trust’s utilisation of patient transport service (PTS) staff to support emergency ambulance crews when PTS activity fell below baseline levels as a response to the reduction in outpatient appointments.

Given the Trust’s wide geographical spread it is able to make use of data to identify areas of best practice and share these more widely. This is demonstrated in the Trust’s review of Hear & Treat, See & Treat, and See & Convey outcomes across the region. The Trust is able to investigate better performing sectors and share learning through the Right Care at Home Collaborative.

The latest CQC inspections of the Trust’s Emergency and Urgent Care Services, and the Emergency Operations Centre were undertaken in 2020. The Trust’s services were rated as good overall, with its Emergency and Urgent Care service receiving an outstanding rating in the responsive domain. The Trust received 10 ‘should do’ actions and no ‘must do’ actions from the reports. The Trust developed a detailed action plan in response to the recommendations, assigning an Executive Lead and Lead Officer for each action. Oversight of progress takes place through the Quality and Performance or Resources Committees as appropriate. Our review of Board minutes confirmed the overall progress had been reported to Board on a regular basis throughout the year. Actions were completed in line with agreed timescales and ongoing monitoring processes put in place to ensure continued compliance.

### The Trust’s arrangements for effective partnership working and stakeholder engagement

The Trust has historically demonstrated strong partnership working with key stakeholders across the North West. The Trust is a key member of the Northern Ambulance Alliance group which brings together four ambulance trusts with the aim of improving health outcomes and delivering greater benefits for the populations served by the Trusts. The Chief Executive and Chair of NWAS are members of the Northern Ambulance Alliance Board. Our review of minutes confirm progress against workstreams undertaken by the Northern Ambulance Alliance are reported to the NWAS Board on a regular basis.

NWAS has an extensive engagement strategy with multiple stakeholder groups. The Trust has an established patient and public panel comprising 139 members which meets on a regular basis and has continued to do so throughout the pandemic. Panel members are invited to get involved in the Trust’s activities including

opportunities to attend Board meetings, development sessions and Q&A sessions with the Executive.

Through our discussions with management and review of communications we have seen examples of effective engagement with stakeholders such as briefings to MPs, local authorities, CCGs and Trusts on the Trust’s response to the pandemic, regular briefings shared with staff via the intranet and email, and engagement with the wider public through the Your Call magazine published on the Trust’s website.

### The Trust’s arrangements for commissioning services

The procurement of all goods and services is governed by the NWAS Board approved standing financial instructions. These set the procurement involvement required based on law and best practice.

Procurements cannot commence unless there is an appropriate budget available or approved business case. Depending on value, pre-tendering approval is also required. Goods and services over £100k must be compliant with the Public Contract Regulations. Awards over £25k and below £500k are approved via ELC whereas awards over £500k must be taken through Resources Committee and approved at Board. We reviewed an example procurement approval process and confirmed it had been approved at the correct level in line with the Trust’s Scheme of Delegation.

The Trust maintains a contracts database which is used to develop the workplan for the procurement team alongside capital regulations. A process of obtaining quotes, tenders or OJEU tenders is put into action depending on value and based on a comprehensive specification of requirements. Evaluations are undertaken by a panel of subject experts. Frameworks are used wherever possible, and often involve collaboration with other ambulance trusts to deliver economies of scale. For routine purchase of consumables, the NHS supply chain is used.

Procurement activity is reported to Resources Committee on a regular basis to allow for scrutiny and governance review. We have confirmed this is the case through our review of Resources Committee papers.

A full waiver process is in place whereby waivers are reviewed and signed off by the Head of Procurement, Director of Corporate Affairs, Director of Finance and Chief Executive. Waivers are reported to Audit Committee for scrutiny on a regular basis. Our attendance at Audit Committee confirms this to be the case. In addition we have selected a sample waiver and confirmed it had been appropriately completed and received the necessary approvals required.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust’s arrangements in relation to improving economy, efficiency and effectiveness.

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# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provide auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State; and
- Make a written recommendation to the Trust which must be responded to publicly.

We have not exercised any of these statutory reporting powers.

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the Trust. We did not identify any matters to report in this regard.

### Reporting to the NAO in respect of consolidation data

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

# 4. Other reporting responsibilities and our fees

## Fees for work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in January 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£64,925
<b>Total fees</b>	<b>£64,925</b>

## Fees for other work

We confirm that we have not undertaken any non-audit services for the Trust in the year.



## **Mazars**

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