

Archwilydd Cyffredinol Cymru
Auditor General for Wales



Annual Audit Report 2013

Welsh Ambulance Services NHS Trust

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Status of report

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This work was delivered by KPMG on behalf of the Auditor General for Wales.

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Summary report

1. This report summarises my findings from the audit work I have undertaken at the Welsh Ambulance Services NHS Trust (the Trust) during 2013.
2. The work I have done at the Trust allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Trust's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Trust, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
4. The factual accuracy of this report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 24 April 2014. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Trust Board. We strongly encourage wider publication of this report by the Trust Board. Following Trust Board consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.wao.gov.uk).
5. The key messages from my audit work are summarised under the following headings.

Section 1: Audit of accounts

6. I have issued an unqualified opinion on the 2012-13 financial statements of the Trust, although in doing so I have brought some matters and observations to the attention of officers and the Audit Committee. These relate to:
 - Key financial targets
 - Financial performance 2012-13
 - Presentation and narrative adjustments
 - Annual Governance Statement
 - Remuneration Report
7. I have also concluded that:
 - the Trust's accounts were properly prepared and materially accurate;
 - the Trust had an effective control environment to reduce the risks of material misstatements to the financial statements; and
 - the Trust's significant financial and accounting systems were appropriately controlled and operating as intended.
8. The Trust achieved financial balance at the end of 2012-13 following additional funding from both the Welsh Health Specialised Services Committee (WHSSC) and the Welsh Government, invest to save resources, and some non-recurrent gains from the disposal of fixed assets.

Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources

9. I have reviewed the Trust's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My work has involved gauging progress that has been made in addressing the areas for further development identified as part of last year's Structured Assessment work.
10. This work has led me to draw the following conclusions. The Trust has revisited its budget-setting process and recognises that more work is needed to address the significant challenge of breaking even whilst maintaining service delivery:
 - Despite receiving additional funding in 2013-14, the Trust is predicting a deficit by the end of the financial year.
 - As with the wider health community, the Trust faces a number of financial and resource challenges whilst balancing the delivery of service transformation with maintaining service delivery. Medium-term funding allocations would help financial planning and the achievement of wider service modernisation goals.
11. The Trust's governance arrangements are broadly sound and the Ambulance Service Reform Programme is expected to have a positive impact on the Trust's ability to achieve its strategic objectives and plans.
 - Overall Board assurance and internal controls are robust and supported by scrutiny of the quality and safety of services. In light of the Ambulance Service Reform Programme the Trust has revisited its governance structure to ensure it is better placed to deliver change and ensure patient safety.
 - Capacity constraints, especially at executive level, may impact on the Trust's ability to enact the significant change the reform programme requires, and work more effectively with partners, while improving performance and ensuring patient safety.
 - The Trust has realised some benefits of the revised organisational structure, which more closely aligned heads of service with health board localities. However, the Trust and the health boards need to continue work together to more effectively minimise delayed patient handovers at hospital emergency departments and provide good patient service.
 - The Trust has arrangements to capture user concerns and identify emerging themes and has made progress in capturing user experience information to improve service quality. However, there are opportunities to further develop how it uses and responds to the themes identified.
 - The Trust has made progress in addressing recommendations from previous Structured Assessment audit work, although some important actions remain outstanding in a few key areas.
 - The Trust has made progress in finalising its core workforce-related strategies and establishing a number of working groups to develop and implement key workforce plans. However, there is a significant challenge to effectively implement these plans and deliver the desired change.

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- The Trust has made effective use of the National Fraud Initiative (NFI) to detect fraud.
- 12.** The assistance and co-operation of the Trust's staff and members during the audit is gratefully acknowledged.

Detailed report

About this report

13. This Annual Audit Report to the Board members of the Trust sets out the key findings from the audit work that I have undertaken between December 2012 and December 2013.
14. My work at the Trust is undertaken in response to the requirements set out in the 2004 Act. That act requires me to:
 - a) examine and certify the accounts submitted to me by the Trust, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c) satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
15. In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
 - the results of audit work on the Trust's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Trust, which examined the arrangements for financial management, governance and accountability, and management of resources;
 - the Trust's self-assessment against the Governance and Accountability module of the Standards for Health Services in Wales;
 - performance audit examinations undertaken at the Trust;
 - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
 - other work, such as data-matching exercises and certification of claims and returns.
16. I have issued a number of reports to the Trust this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
17. The findings from my work are considered under the following headings:
 - audit of accounts; and
 - arrangements for securing efficiency, effectiveness and economy in the use of resources.
18. [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Trust, alongside the original fee that was set out in the Audit Outline.
19. My Outline of Audit Work 2013 set out the key financial audit risks for 2013. [Appendix 3](#) outlines our conclusions in these areas.

Section 1: Audit of accounts

- 20.** This section of the report summarises the findings from my audit of the Trust's financial statements for 2012-13. These statements are the means by which the organisation demonstrates its financial performance and sets out its surplus or deficit, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.
- 21.** In examining the Trust's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Trust and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other applicable requirements, and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the Remuneration Report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
- 22.** In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
- 23.** In undertaking this work, auditors have also examined the adequacy of the:
- Trust's internal control environment; and
 - financial systems for producing the financial statements.

I have issued an unqualified opinion on the 2012-13 financial statements of the Trust, although in doing so, I have brought some matters and observations to the attention of officers and the Audit Committee

The Trust's accounts were properly prepared and materially accurate

- 24.** I did not encounter significant difficulties during the audit. We received information in a timely and helpful manner and were not restricted in our work.
- 25.** I am required by ISA 260 to report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Trust's Audit Committee on 30 May 2013. **Exhibit 1** summarises the audit observations set out in that report.

Exhibit 1: Audit observations

Description	Recommendation
<p>Wrexham ARC</p> <p>The development of the Wrexham ARC is being undertaken as a joint project with the North Wales Fire Authority.</p> <p>There have been a number of delays encountered in relation to this project.</p> <p>Capital costs in relation to this project on 31 March 2013 amounted to £3.8 million with the Trust's share of costs being £2.5 million. Included in prepayments is £0.9 million of amounts owed by the fire authority.</p>	<p>While no issues have been identified with the carrying value of the assets, the building stage has not yet commenced. The Trust should continue to monitor the project and work with the fire authority to progress the ARC development.</p>
<p>Voluntary Early Retirement Scheme (VERS) funding</p> <p>During 2012-13 the Trust received £0.8 million of spend to save funding in relation to (VERS) packages.</p> <p>We have received confirmation that there are no conditions attached to this funding, and that no repayment is required in 2013-14 which would have to be recognised as a liability.</p>	<p>Going forward, the Trust should ensure that, in the event of funding being received for similar schemes, the terms and conditions are clearly documented and agreed in advance.</p>
<p>Dilapidation provision</p> <p>The Trust has a number of ambulance stations which are rented under operating leases. Such agreement often includes a clause to rectify any dilapidations on exit of the property. At the year-end an assessment of the dilapidation provision required is made.</p>	<p>The Trust would benefit from further formalising the process for the identification and updating of potential dilapidation warranties to ensure they can monitor any future liabilities.</p>

26. As part of my financial audit, I also undertook the following reviews:

- Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the Trust at 31 March 2013 and the return was prepared in accordance with the Treasury's instructions; and
- Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was compliant with Welsh Government guidance.

27. My separate audit of Funds Held on Trust financial statements is now complete and an unqualified audit opinion was issued on 7 October 2013.

The Trust had an effective control environment to reduce the risks of material misstatements to the financial statements. The Trust's significant financial and accounting systems were appropriately controlled and operating as intended

28. I did not identify any material weaknesses in your internal controls. I report these where you are not already aware of them or where they may be symptomatic of broader weaknesses in the overall control environment.
29. Following my review of the Audit and Assurance Service provided by the NHS Wales Shared Services Partnership, I concluded that the Audit and Assurance Service met the 2009 Internal Audit Standards for the NHS in Wales and that there are some key areas where improvements are required to achieve further consistency. The new Internal Audit Charter was adopted by the Trust on 30 May 2013 and other planned developments are already underway which will further improve the service provided to health bodies in Wales. This includes the preparation of an Internal Audit Quality Manual, on an all-Wales basis.
30. The work that I have undertaken supports the external auditor's opinion on the financial statements. This does not constitute an assessment of internal audit under the new Public Sector Internal Audit Standards (PSIAS). Under PSIAS (which came into effect on 1 April 2013) organisations are required, every five years, to conduct an external assessment of internal audit. This goes beyond the work that external audit undertakes to place reliance upon, or take assurance from, the work of internal audit.
31. Internal Audit also reported on a number of system weaknesses which require ongoing management action. Management action plans have been developed to strengthen the control weaknesses identified in these reports, and progress is scrutinised by the Audit Committee.

The Trust achieved financial balance at the end of 2012-13 following additional funding from both WHSSC and the Welsh Government, invest-to-save resources, and some non-recurrent gains from the disposal of fixed assets

32. The Trust has reported a small surplus for the year ended 31 March 2013 of £49,000.
33. This was achieved primarily due to the successful negotiation of additional funding from both WHSSC and the Welsh Government (£4.3 million). This income was provided as shortfall funding and was recognised during the last five months of 2012-13. There is no requirement that the Trust make any repayment in relation to this funding.
34. The Trust also received £0.8 million of invest-to-save resources in the year to fund a VERS, of which £0.4 million was utilised.

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35. In addition, the Trust made a number of non-recurrent gains from the disposal of a number of fixed assets. The most significant of these was the sale of the Mold Ambulance Station which generated a gain on disposal of £0.325 million.
 36. In 2012-13 the Trust achieved savings of £5.85 million against a target of £7.97 million. As a result of increased in-year financial pressures (detailed below), the Trust relied upon additional funding of £4.3 million from the Welsh Government in order to break even.
 37. For 2012-13 the overall level of pay expenditure exceeded budget by £5.6 million, including £8.3 million of overtime payments. This reflects the increased service demands that the Trust is having to manage, as well as the impact of increased ambulance waiting times at hospitals resulting in an increased number of staff being tied up at such locations and unable to respond to new calls. Hospital handover delays were deemed by the Trust to cost £3.7 million during 2012-13.
 38. The Trust delivered underspends of £1.1 million in relation to non-pay expenditure as a result of central head office overheads being well managed throughout the year.

Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources

39. I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Trust over the last 12 months to help me discharge that responsibility. This work to date has involved:
 - reviewing the Trust's financial management arrangements, including the progress being made in delivering cost-saving plans and their contribution to achieving financial balance; and
 - progress against areas of development identified in previous years' Structured Assessment.
40. The main findings from this work are summarised under the following headings.

The Trust has revisited its budget-setting process and recognises that more work is needed to address the significant ongoing challenge of breaking even whilst maintaining service delivery

Despite receiving additional funding in 2013-14, the Trust recorded a small deficit by the end of the financial year

41. In March 2013, the Trust identified a gap of £14.7 million between the Trust's funding for 2013-14, and the best estimates of cost pressures and planned service development costs. The Trust has assessed that there were £5.7 million of potential cost pressures which have historically been experienced, some of which is largely outside the Trust's control which they would not be able to fund from their revenue allocation. These included:
 - cost of hospital handover delays;
 - demand increases which would require additional staff resources; and
 - covering sickness absence.
42. Despite having secured additional funding of £7.5 million during the year, the Trust has faced a significant challenge to reach its break even target. At 31 March 2014 the Trust recorded a small deficit of £0.1 million at the end of the 2013-14 financial year.
43. Legislation requires NHS trusts to break even each financial year, defined as being a surplus or deficit that is within a materiality threshold of £0.5 million or 0.5 per cent of operating income. If the Trust is within this materiality limit there is no breach of statutory duty if any deficit is recovered by similar underspend in 2014-15, or if it has sufficient reserves to cover any deficit. The Trust has already incorporated this deficit into its financial plans for 2014-15 which are financially balanced and were approved by the Board in May 2014. They are awaiting formal approval of these plans from the Welsh Government and, when received, the Trust will have met its required break-even targets.
44. The Trust's year-end financial position has been affected by both its ability to achieve its savings plans, and by its ability to remain within target budgets. At January 2014 overspends against 2013-14 budget targets mainly related to:
 - Overall overspend on staff costs of £6.1 million, with overtime spend being £7.3 million. Sickness, demand and handover delays have impacted on the level of overtime required to maintain the service delivery.
 - Non-pay costs at November 2013 were £2.7 million over budget, due to higher-than-planned fleet maintenance costs, and increases in the use of private healthcare services and clinical operating expenditure in order to maintain services.
45. As part of its budget-setting process, the Trust identified the need to make savings of an additional £9 million in 2013-14, of which £5.5 million has been made. Savings plans mainly focused on the achievement of efficiency gains resulting from workforce and operational modernisation initiatives. However, as noted below, the Trust has been unable to significantly progress the modernisation agenda, and workforce and demand pressures noted above have increased the pressure on costs.

As with the wider health community, the Trust faces a number of financial and resource challenges whilst balancing the delivery of service transformation with maintaining service delivery. Medium-term funding allocations would help financial planning and the achievement of wider service modernisation goals

46. The Trust has a good process for monitoring in-year budgets, producing annual finance plans and monthly finance reports for the Board. Plans are in progress to bring the financial planning cycle further forward, including the earlier identification of savings plans and the requirement to produce a three-year financial plan will assist this. I can also confirm that the financial information reported to the Board is consistent with that which is submitted to the Welsh Government.
47. The Trust will need to build on the work carried out in preparing a 2013-14 zero-based budget to ensure it works closely with local budget holders to identify and deliver cost savings and supporting them to achieve its operational and strategic objectives.
48. The Trust still has a reliance on short-term non-recurring savings and recognises that financial plans need to take account of medium to long-term objectives and not be discussed one year at a time. It is important to have a recurrently balanced financial plan and build this into its three-year planning. With the introduction of the new commissioning arrangements for the Trust, the Trust will work closely with the Welsh Government as it develops its medium-term plans within the new framework.

The Trust's governance arrangements are broadly sound and the Ambulance Service Reform Programme is expected to have a positive impact on the Trust's ability to achieve its strategic objectives and plans

Overall Board assurance and internal controls are robust and supported by scrutiny of the quality and safety of services. In light of the Ambulance Service Reform Programme the Trust has revisited its governance structure to ensure it is better placed to deliver change and ensure patient safety

49. The Trust has seen some changes in non-executive Board members with a new interim Chair and two new interim non-executives. Continuity has been maintained with the remaining five non-executives having been in post for a number of years. We understand that the Ambulance Service reform programme included a review of the Trust's current non-executive membership. The new non-executive directors were in post from 1 April 2014. It will be important that non-executive members collectively bring a range of skills and experience to adequately govern and support the Trust.

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50. In light of the reform programme and the Francis report the Trust has revisited its governance arrangements to ensure its revised integrated governance framework has the capacity and capability to deliver the necessary change in a structured and timely manner.
51. The Strategic Planning Committee and the Quality, Safety and Governance Committee have been disbanded. The formal governance structure now covers three main governance streams:
- delivery and scrutiny – Quality Delivery Committee (QDC), a formal sub-committee, supported by Standards in Health and Health and Safety panels;
 - assurance and risk management function – Audit Committee, a formal sub-committee; and
 - future – Strategic Transformation Board, although this is not a formal sub-committee it is an executive programme board which will report to the Board.
52. The Strategic Transformation Board is to be supported by executive work streams relating to clinical transformation, resource utilisation and workforce and organisational development.
53. The new governance structure should facilitate the focus of the Trust on delivering change as well as the necessary scrutiny the previous structure provided. The Trust will need to continue to monitor the performance of its governance and control arrangements to ensure they are effective and provide the optimum level of scrutiny and governance. The Trust's good corporate support function, which assists in bringing papers and updated action points to the right committees should facilitate this.
54. The Trust produced its first Annual Quality Statement (AQS) for 2012-13 in September 2013 and it is publically available on the Trust website. The AQS was led by the Medical Director with further input from the executive team and non-executive members providing scrutiny. The Trust utilised Internal Audit to ensure compliance with Welsh Government guidelines for the production of a balanced AQS. The AQS was reviewed and adopted by the relevant sub-committees and the Board. While I am not required to review the AQS in detail my team has concluded that the Trust has developed a good process in preparing the AQS. It will be important that the Trust continues to follow a robust clinical process for the 2013-14 AQS which incorporates revised Welsh Government guidance.

Capacity constraints, especially at executive level, may impact on the Trust's ability to enact the significant change the reform programme requires, and work more effectively with partners, while improving performance and ensuring patient safety

55. The executive team is made up of five executive directors and two directors. Currently there is one vacancy within the executive team and one post is currently filled by an interim officer. A lack of continuity may impact on the ability of the organisation to enact the significant change the reform programme may identify and in the tight timescales being proposed. The Trust needs to appoint to its vacant executive posts as soon as possible, to ensure that stability is maintained and the risks associated with acting positions are avoided.

The Trust has realised some benefits of the revised organisational structure, which more closely aligned heads of service with health board localities. However, the Trust and the health boards need to continue to work together more effectively to minimise delayed patient handovers at hospital emergency departments and provide good patient service

56. The Trust has seen some improvement in handover times. The Trust reported that the percentage of handovers within 15 minutes has increased to 61.3 per cent for the period April 2013 to January 2014, compared to 56.9 per cent for April 2013 to January 2013. However, Category A response times within eight minutes remains below the 65 per cent target set by Welsh Government.
57. The organisational structure was revised in 2012-13 to more closely align heads of service with health board localities. The Trust feels that this structure has facilitated closer working and some improvement has been seen. However, there are some health boards with higher priority internal issues to address which has meant the Trust has been unable to make the progress it would have liked. There is an urgent need for both the health boards and the Trust to continue to work closely to address patient handover delays as part of the reform programme.
58. As reported in the previous two years of Structured Assessment work, the Trust and its health board partners need to work more effectively together especially in relation to delayed patient handovers. The Ambulance Service reform programme will need to address these issues. Handover delays continue to pose a significant risk to patient safety, both for the patient being treated and the unavailability of the ambulance crews to respond to emergency calls. The NHS service reconfiguration plans included proposals to close some minor injury units and this may also impact on handover times.

The Trust has arrangements to capture user concerns and identify emerging themes and has made progress in capturing user experience information to improve service quality. However, there are opportunities to further develop how it uses and responds to the themes identified

59. The Trust has a central team to capture and respond to concerns. The Trust has made good progress in responding appropriately and in a timely manner to concerns. This is monitored by the QDC.
60. Concerns progress reports are a standing QDC item and patient experience case studies and action points arising are presented at the start of each Trust Board.
61. The Welsh Risk Pool Service's (WRPS) assessment noted that the Trust had a good level of compliance with concern regulations and broadly a good framework for dealing appropriately with concerns. However, WRPS noted that the Trust should further develop its approach to evaluating and learning from concerns and its assessments of the effectiveness of actions taken to address emerging themes.

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62. The Trust has sought to gain information regarding user experience via a number of routes including:
- targeted user (patients and healthcare professionals) experience surveys via Partners in Health Care Team;
 - NHS outcome framework (unscheduled care workstream), the 'Talk Care' project; and
 - website feedback tool – 'Have your Say'.
63. The Trust is developing a 'Service Users Experience Report' in collaboration with key stakeholders, which will be publically available, drawing on user experience information gathered from the sources above.
64. The Trust needs to ensure it uses this feedback and patient data to identify emerging themes and further use the information to improve service quality.

The Trust has made progress in addressing recommendations from previous Structured Assessment audit work although some important actions remain outstanding in a few key areas

65. My Structured Assessment work has indicated that the Trust has made progress in addressing the areas for development identified in previous years' work. In addition to the progress detailed above a summary of progress in implementing other 2012 Structured Assessment action points are detailed below.
66. The Trust has reviewed its governance arrangements as detailed above. Risk identification and management was identified in previous years as an area for review, so that risks are aligned to strategic objectives. Overall, the revised arrangements should address recommendations.
67. As part of the 2012 Structured Assessment I reported that the Board and its sub-committees have access to relevant management information to plan, make decisions and underpin effective scrutiny and board assurance. There is still scope to improve the timeliness of some clinical performance information provided to sub-committees and provide appropriate benchmarking information to the Board to assist in the scrutiny of the Trust's overall performance. I also previously highlighted the need to develop robust three-year plans. This has become even more pressing given the central importance of these plans in securing financial flexibilities associated with secure three-year funding allocations. Progress made in this area and on other 2012 Structured Assessment action points is set out in [Exhibit 2](#).

Exhibit 2:

2012 action point

Progress made by the Trust

2012 action point	Progress made by the Trust
Agree method for determining resources from WHSSC/Commissioners for the medium term.	As detailed above, at the time of writing, the Trust had not been granted the three-year financial flexibility from the Welsh Government indicating work is required to strengthen integrated planning to overcome this remaining barrier to medium-term planning and facilitating operational change.
Continued improvement required to ensure data is captured on a timely basis and clearly presented in the Performance Scorecard and that this is given to the non-executives on a regular basis.	The performance scorecard gives the most up-to-date performance information that is available generally data reported is one month old. Some clinical data, however, is two to three months old. Therefore, there is still progress to be made.
Regular patient surveys would support the triangulation of performance and progress with patient experience. Potential for collaboration with health boards.	The Trust should continue to enhance its capture of patient experience to monitor performance.
Non-executives would like to see more performance comparators with other ambulance services.	The Trust still needs to identify opportunities for benchmarking performance with other ambulance services.

The Trust has made progress in finalising its core workforce-related strategies and establishing a number of working groups to develop and implement key workforce plans. However, there is a significant challenge to effectively implement these plans and deliver the desired change

68. I made a number of recommendations in previous years around the Structured Assessment theme of workforce and operational performance. The Trust has developed and finalised its core strategies and has brought them together into its 2014-15 annual plan. Work continues between the Trust and the Welsh Government to develop robust and sustainable medium-term plans covering the next three financial years.
69. The Trust has developed its Clinical Transformation Programme in order to deliver the 'right service, the right care, the right place, at the right time'. The Trust has set up a number of working groups, made up of key stakeholders, such as the roster review project team to develop and implement its workforce plans. The Trust recognises, however, that the effective implementation of its workforce plans will be a significant challenge.
70. The Trust is dealing with multiple priorities to deliver the Clinical Transformation Programme, the Ambulance Service reform programme and to maintain and improve operational performance, while operating with limited capacity which may impede timely progression. My 2014 local performance audit work in the Trust will be reviewing the high-level risks and barriers in achieving these plans.

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- 71.** Sickness absence remains high, ranging from 7.3 per cent in September 2013 to 8.7 per cent in January 2014. This has been assessed by the Trust as costing £4.6 million for the 10 months to January 2014. The Trust is closely monitoring sickness levels; sickness reports are presented regularly to the Quality and Delivery Committee and are included on the performance dashboard reported to the Board. The Occupational Health Service was introduced in November 2013 and the Trust will need to monitor the outcome of the initiatives to tackle absence and the use of the Occupational Health Facility and Well Being Group to ensure their activities are effective in managing and reducing absence levels.

The Trust has made effective use of the National Fraud Initiative to detect fraud

- 72.** The NFI is a biennial data-matching exercise that helps detect fraud and overpayments. It matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The Auditor General conducts data-matching exercises in Wales under statutory powers contained in Part 3A of the 2004 Act. The NFI is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.
- 73.** Participating bodies submitted data to the current NFI exercise in October 2012. The data was matched and the outcomes were released to participating bodies in January 2013.
- 74.** The Trust continues to engage in NFI, investigating promptly all key data matches and more than the recommended data matches generated by the NFI data-matching exercise. The Trust's investigations did not identify any errors or fraud.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	30 May 2013
Opinion on the Financial Statements	27 June 2013
Opinion on the Summary Financial Statements	18 September 2013
Whole of Government Accounts Assurance Statement	3 September 2013
Opinion of Welsh Ambulance Services NHS Charity Financial Statements	7 October 2013
Performance audit reports	
Structured Assessment 2012	30 May 2013
Other reports	
Outline of Audit Work 2013	May 2013

There is also a performance audit that is still underway at the Trust. This is shown below, with estimated dates for completion of the work.

Report	Estimated completion date
Ambulance Service Reform Programme – Risk Review	March/April 2014

Appendix 2

Audit fee

The Outline of Audit Work for 2013 set out the proposed audit fee of £119,260 (excluding VAT). The actual fee is in accordance with this proposal of £119,260 (excluding VAT).

Appendix 3

Financial audit risks

My Outline of Audit Work 2013 set out the key financial audit risks for 2013. The table below lists these risks and sets out how they were addressed as part of the audit.

Financial audit risk	Outcome
<p>The timetable for producing and certifying the annual accounts remains demanding.</p> <p>The Trust will need to put in place appropriate arrangements to prepare the accounts and ensure adequate working papers are provided for audit on a timely basis.</p> <p>The annual accounts are compiled under International Financial Reporting Standards (IFRS) and the NHS Manual for Accounts. The Trust must have a full understanding of these requirements, keeping up to date with changes and ensuring that risks and issues are identified and dealt with appropriately.</p>	See paragraphs 24 to 28 .
<p>The Trust has a duty to ensure that robust accounting records and internal controls are in place to ensure the regularity and lawfulness of transactions.</p>	See paragraphs 24 to 28 .
<p>The financial duty of the Trust is to ensure it breaks even for the period and on an ongoing basis. The Trust must ensure good financial management in the period to meet its own financial targets for 2012-13.</p>	See paragraphs 32 to 38 .
<p>Strong financial governance arrangements are required for the Trust to ensure procedures and arrangements are in place to manage its finances in accordance with the guidance in the Welsh Government's e-governance manual.</p>	See main body of Annual Audit Report.

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