

# South Central Ambulance Service NHS Foundation Trust

## Auditor's Annual Report

*Year ended 31 March 2024*

**July 2024**



*We are required to satisfy ourselves under Schedule 10 (1)(d) of the National Health Service Act 2006 that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report to you if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements are operating effectively.*

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Detailed findings from our audit of the financial statements are communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2024
- audit findings (ISA 260) report to Those Charged with Governance

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office's Code of Audit Practice (the "Code") and is required to be published by the Trust alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the NHS Act 2006.

# Key messages

The purpose of the Auditor's Annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Board and the wider public relevant issues, recommendations arising from the auditor's work and the auditor's view on whether previous recommendations have been implemented satisfactorily.

We have undertaken our work in accordance with the Audit Plan issued earlier in the year and reported to Those Charged with Governance. We have complied with the National Audit Office (NAO) Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

Area of work	Our responsibilities	Conclusions
Financial statements	<p>We are required to audit the financial statements of the Trust and group under the National Health Service Act 2006. We express an opinion as to whether:</p> <ul style="list-style-type: none"><li>the accounts give a true and fair view of the financial position of the Trust and group and of the expenditure and income for the year; and</li><li>the accounts have been prepared in accordance with proper practices and the requirements of the National Health Service Act 2006.</li></ul> <p>We confirm whether the financial statements have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).</p> <p>We are required to give a separate audit opinion on the Trust accounts' consolidation schedules (TACs) and to carry out specified procedures under group audit instructions.</p>	<p>Our audit opinion is unqualified on the Trust and group's financial statements. This means that we consider the financial statements give a true and fair view of the financial performance and position of the Trust and group.</p> <p>In the group audit instructions, the Trust was selected for full scope audit procedures. We are in the process of completing the work in this area to report to the NAO.</p> <p>We have completed our work on checking the financial statements to the TACS and have reported in our independent auditor's statement on the Trust's consolidation schedules.</p>

*continued.....*

# Key messages

Area of work	Our responsibilities	Conclusions
<p><b>Annual report, annual governance statement and other information published with the financial statements</b></p>	<p>We assess whether the annual report is consistent with our knowledge of the Trust.</p> <p>We perform testing of certain figures subject to audit (labelled in the remuneration report and the staff report) as prescribed by the Foundation Trust Annual Reporting Manual (the 'ARM'),</p> <p>We consider whether the Annual Governance Statement does not comply with the disclosure requirements set out in the ARM or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.</p>	<p>We have not identified any significant inconsistencies between the information presented in the annual report and our knowledge of the Trust.</p> <p>Our audit opinion on the audited sections of the remuneration report and the staff report is unqualified.</p> <p>We confirm that the Governance Statement had been prepared in line with the requirements set out in the FT ARM.</p>
<p><b>Value for money</b></p>	<p>We are required under Schedule 10 (1)(d) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our commentary relating to proper arrangements.</p> <p>We assess the arrangements in place for securing economy, efficiency and effectiveness in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.</p> <p>We are required to report our commentary under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p>	<p>We have identified three significant weaknesses in the arrangements for securing at economy, efficiency and effectiveness in the use of resources at the Trust.</p> <p>Our commentary in relation to VFM is included later in this report.</p>

*continued.....*

# Key messages

Area of work	Our responsibilities	Conclusions
<b>Public interest report</b>	Under Schedule 10 (3) of the National Health Service Act 2006 the auditor of a foundation trust must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.
<b>Referral to NHS England</b>	Under Schedule 10 (6) of the National Health Service Act 2006 the auditor of a foundation trust must consider whether to make a referral to a foundation trust's regulatory body (NHS England) if the auditor has reason to believe that the trust, or a director or officer of the trust is about to make, or has made, a decision which involves or would involve the incurring of expenditure which is unlawful, or is about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.	We did not identify any matters for which we considered a referral to be required as part of our external audit for 2023/24.
<b>Key recommendations</b>	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Trust. We consider these to be key, or essential, recommendations.	We have reported key recommendations in relation to the significant weaknesses reported as part of our VFM work. These are included later in this report.
<b>Other recommendations</b>	We raise "other recommendations" in areas where we believe the weaknesses identified are not significant, or where arrangements are generally satisfactory but further improvement could be achieved.	We raised no other recommendations.

# Financial statements

*The annual report and financial statements are an important tool for the Trust to show how it has used public money and how it can demonstrate its financial health.*

*We provide an independent opinion on whether the Trust's financial statements:*

- give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended;*
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023/24; and*
- have been prepared in accordance with the National Health Service Act 2006.*

*We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.*

Area of work	Conclusions
<b>Audit opinion on the financial statements</b>	We have issued an unqualified opinion on the Trust's financial statements.
<b>Audit Findings (ISA260) report</b>	More details can be found in our ISA260 report, which was reported to the Trust's audit committee on 20 June 2024.
<b>Whole of Government accounts</b>	<p>To support the audit of consolidated NHS Provider accounts, the Department of Health and Social care group accounts and the Whole of Government Accounts (WGA), we are required to examine and report on the consistency of the Trust's consolidation schedules with its audited financial statements. This includes performing specified procedures under group audit instructions issued by the National Audit Office.</p> <p>At the time of this report, our work is yet to be finalised in this area.</p>
<b>Preparation of the accounts</b>	The Trust provided draft accounts in line with the national deadline. The quality of the draft financial statements was good, however, the quality and timeliness of the supporting working papers was insufficient in some areas.

# Financial statements

## Significant risks

Detailed findings from the audit of the 2023/24 financial statements are set out in our Audit Findings (ISA260) report, reported to the Trust's audit committee on 20 June 2024. Requests for this report should be directed to the Trust. This report set out the significant risks identified for the 2023/24 financial statements audit along with the procedures performed to address each risk and the conclusions reached following the performance of those procedures.

A significant adjustment was required to the 2023/24 financial statements submitted for audit relating to right of use assets and liabilities, as well as the identification and adjustment of two prior period errors. These related to the understatement of the valuation of land in the prior period and the overstatement of right of use assets and liabilities in the prior year.

Significant internal control recommendations were identified as part of our audit. These are included in Appendix I.

We outline on the next five pages the significant risks identified as part of our audit and the conclusions from our work.

# Key audit findings: significant risks

## Significant risks at the financial statement level

The below table summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Management override of controls (Trust and Group)</b></p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<ul style="list-style-type: none"><li>• Documented our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals;</li><li>• Analysed the journals listing and determining the criteria for selecting high risk and/or unusual journals;</li><li>• Tested high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Trust's and Group's journals policy;</li><li>• Gained an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and</li><li>• Evaluated the rationale for any changes in accounting policies, estimate or significant unusual transactions.</li></ul>	<p>Our audit work has not identified any significant issues in respect of this risk.</p>



# Key audit findings: significant risks

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Fraud in revenue recognition (Trust and Group)</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>In our audit plan we reported that as at October 2023, the Trust had a YTD deficit of £15.3m £11.3m off plan. Having considered the nature of the revenue streams at the Trust, pressures within the wider healthcare system, and the financial position at month 7 we consider that the risk of fraud in revenue recognition cannot be rebutted.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"><li>• <b>Revenue (occurrence and accuracy): High</b></li><li>• <b>Receivables (existence): High</b></li></ul>	<ul style="list-style-type: none"><li>• Documented our understanding of the Trust's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements;</li><li>• Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, performed a walkthrough of the systems;</li><li>• Evaluated the Trust's accounting policies for recognition of income and compliance with the GAM;</li><li>• Tested pre and post year end transactions to assess cut-off of income recognition;</li><li>• Substantively tested a sample of income transactions recognised during the period by tracing amounts to contracts, invoices and other third-party evidence;</li><li>• Substantively tested a sample of receivables recognised at year end by tracing amounts to contracts, invoices and other third-party evidence; and</li><li>• Reviewed the Agreement of Balances mismatch report to identify any unmatched items above/under our trivial threshold. Where mismatches or disputed balances were identified, confirmed balances and reviewed correspondence with mismatched organisation.</li></ul>	<p>Our audit work has not identified any significant issues in respect of this risk.</p> <p>We have, however, raised a recommendations for the Trust in respect of an identified control deficiency. See Appendix I.</p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Fraud in non-pay expenditure (Trust and Group)</b></p> <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Trust.</p> <p>In our audit plan we reported that as at October 2023, the Trust had a YTD deficit of £15.3m £11.3m off plan. This is largely driven by increased pay costs, compared to the financial plan.</p> <p>Having considered the financial pressures within the wider healthcare system and the Trust's financial position at month 7 we consider that the risk of fraud in non-pay expenditure cannot be rebutted.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Non-pay expenditure (completeness, occurrence and accuracy): High</b></li> <li>• <b>Accruals/provisions (completeness and existence): High</b></li> </ul>	<ul style="list-style-type: none"> <li>• Documented our understanding of the Trust's systems to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements;</li> <li>• Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, performed a walkthrough of the systems;</li> <li>• Evaluated the Trust's accounting policies for recognition of expenditure and compliance with the GAM;</li> <li>• Tested a sample of expenditure to third party supporting documentation to confirm it had been recognised in the correct accounting period and where appropriate agreed to the corresponding accrual or prepayment;</li> <li>• Tested a sample of after date payments to ensure all appropriate expenditure had been included in the financial statements;</li> <li>• Reviewed management's processes for identifying accruals, deferred income and provisions to ensure the completeness of these balances;</li> <li>• Tested a sample of accruals and provisions to third party supporting documentation to confirm they had been recognised correctly in line with accounting standards and the DHSC GAM 23/24; and</li> <li>• Reviewed mismatch reports to identify any unmatched items above/under our trivial threshold. Where mismatches or disputed balances were identified, confirmed balances and reviewed correspondence with mismatched organisation.</li> </ul>	<p>Our audit work has not identified any significant issues in respect of this risk.</p>

# Key audit findings: significant risks

Significant risks	Audit approach
<p data-bbox="54 219 933 244"><b>Valuation of land and buildings (key accounting estimate) (Trust and Group)</b></p> <p data-bbox="54 281 1209 363">The Trust undertakes a full revaluation of its land and buildings on a five-yearly basis, with a desktop review being performed in all other years, to ensure that the carrying value is not materially different from the fair value. For the year ending 31 March 2024, a full valuation will take place in line with this cycle.</p> <p data-bbox="54 399 1209 450">Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024.</p> <p data-bbox="54 487 1209 568">The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p data-bbox="54 604 1209 710">This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk.</p> <p data-bbox="54 746 1209 798">We further pinpointed this risk to specific assets where on receipt of the draft financial statements and the year-end updated asset valuations in-year valuation movements fell outside of our expectations.</p> <p data-bbox="54 834 504 859"><b>Inherent risk of material misstatement:</b></p> <ul data-bbox="54 863 575 888" style="list-style-type: none"><li>• <b>Land and Buildings (valuation): Very High</b></li></ul>	<ul data-bbox="1257 219 1837 970" style="list-style-type: none"><li>• Evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li><li>• Evaluated the competence, capabilities and objectivity of the valuation expert;</li><li>• Considered the basis on which the valuations are carried out and challenging the key assumptions applied;</li><li>• Evaluated the reasonableness of the valuation movements for assets revalued during the year, with reference to market data;</li><li>• For unusual or unexpected valuation movements, tested the information used by the valuer to ensure it is complete and consistent with our understanding;</li><li>• Ensured revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and</li><li>• Evaluated the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</li><li>• Engaged an auditor's expert to support our work to assess the valuation of land and buildings.</li></ul>

# Key audit findings: significant risks

## Audit findings and conclusion

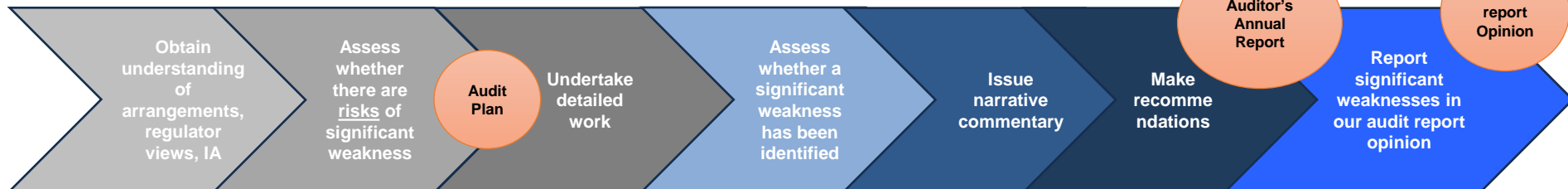
Management's engagement of a new valuer for 23/24 has highlighted that the prior year valuation of the Oxford land site was inappropriate. This was based on assumptions which did not take into account the appropriate basis of valuation being on a modern equivalent asset (MEA) basis as required by accounting standards. The impact of this was an understatement of land in the preceding years of £5,985k with a corresponding understatement in the revaluation reserve. Management have assessed that they do not consider the prior year value to be materially different from the current year based on market conditions and have therefore used the 23/24 value in the prior period adjustment to amend the opening position at the 1 April 2022.

Aside from the above adjustment noted, we do not have anything else to bring to the attention of those charged with governance and we are satisfied that land and buildings are materially correct in the financial statements.

We have raised a number of control recommendations within the report relating to the fixed asset register and valuation process.

# Value for money

We are required to consider whether the Trust has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 ('AGN 03').



In undertaking our work we have identified significant weaknesses in arrangements as set out in the table below. We have made key recommendations in respect of these weaknesses.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	Yes	Yes	Yes	No
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	Yes	No
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No

# Value for money

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other Board members and management
- Review of Board and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties, including the Care Quality Commission (CQC)
- Considering the findings from our audit work on the financial statements
- Review of the Trust's annual governance statement and annual report and other publications
- Considering the work of internal audit and the counter fraud function
- Consideration of correspondence with NHS England

Foundation Trusts are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Trust has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Trust and performing procedures to update our knowledge of the high-level arrangements in place. The resulting risk areas were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Trust in each area.

## Summary of findings

Based on the audit work performed, we have identified three significant weaknesses in the Trust's arrangements for achieving value for money and have therefore raised appropriate key recommendations in relation to these.

# Financial sustainability

This relates to how the Trust plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Trust identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Trust plans to bridge its funding gaps and identifies achievable savings;
- how the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Trust ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Trust identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Trust's budget for 2024/25 was submitted to the Hampshire and Isle of Wight (HIOW) Integrated Care Board (ICB) in May 2024, presenting a planned deficit of £11.2m. This was subsequently adjusted to reflect a deficit position of £10.1m, following further consultation with the ICB, and re-submission to the ICB on 12 June 2024. The HIOW system is facing significant financial challenges and on 1 June 2023, the ICB its 7 NHS Trusts were placed into NHS Oversight Framework Segment 4. The NHS Recovery Support Programme is intended to collectively address the scale of the ICBs financial deficit in a sustainable way, while also delivering other key commitments to improve access, reduce waiting times and reduce health inequalities.

Since July 2023, the Interim Director of Finance has undertaken a thorough exercise to understand the genesis of the Trusts declining financial position and has analysed establishment headcount over a number of years to understand staffing trends, as well as associated performance outcomes. The Interim Director of Finance has also assessed the Trust against the model hospital and these analyses have been used to inform and support the formation of the Financial Recovery Plan (FRP).

The Trust's FRP for 2024/25 and beyond, details efficiency requirements of £27.7m in 2024/25, stretching to £33.5m recurrently for 2025/26 to meet an underlying breakeven run rate position by the end of 2025/26. The FRP was assessed and progress is being monitored regularly by the Finance and Performance Committee, which was established in March 2023. The FRP received formal Board approval on 30 November 2023, however, these efficiency targets have since been extended by a further £1.1m following the submission to the ICB on the 12 June 2024.

We have reviewed the latest budget submission and the FRP which details efficiencies of £27.7m, for which £600k of these are currently noted as unidentified. £12.7m of these recurrent efficiency targets relate to Patient Transport Services (PTS) and a detailed PTS project plan and timeline has been produced specifically for this income and expenditure stream. However, the action tracker for monitoring progress of the redesign of PTS is yet to be developed.

We recognise that improvements have been made at the Trust within the year to identify, assess and monitor efficiency savings, and we have also noted some improved check and challenge at an Executive and Non-Executive level to assess the robustness of such plans.

# Financial sustainability (continued)

However, we also recognise that the Trust has set highly ambitious recurrent efficiency targets for 2024/25 amounting to c.8% of annual expenditure. The Trust does not have a strong track history of being able to deliver against such efficiency targets since COVID funding ceased, having delivered £9.6m in 2023/24 against a plan of £36.3m which is a 26.4% achievement. Of this, only 50% was delivered recurrently, giving an achievement of £4.8m. In addition, in April 2024, the Trust reported being £0.7m behind plan, with an in-month deficit of £1.9m, the main driver of which being non-emergency PTS.

Whilst we consider that the Trust is now heading in a positive direction, we continue to have concerns over the Trust's ability to meet such ambitious financial efficiency targets in 2024/25, especially with significant churn at an Executive level, which could impair the ability to meet the budget submitted for the year.

We also identified in 2022/23, that the Trust did not have a medium-term financial plan. This continued to be the case during 2023/24 and whilst there has been recognition that this plan needs to be developed, this is still currently outstanding.

In assessing the financial sustainability of the Trust and how the Trust plans and manages its resources to ensure it can continue to deliver its services, we concluded that two significant weaknesses exist:

1. The Trust did not have adequate arrangements in place to identify, monitor and deliver its 2023/24 efficiency targets leading to a deficit position of £21.7m. The Trust set itself a £36.3 m Cost Improvement Plan (CIP) target for 2023/24, but only delivered £9.6m of savings of which £4.8m were non-recurrent leading to an adjusted deficit position of £21.7m for the year. The Trust has set itself an ambitious CIP target of £27.7m for 2024/25.
2. During the 2023/24 year the Trust did not have a MTFP in place and this is still outstanding.

We have two key recommendations in relation to the significant weaknesses identified above:

1. We recommend that the Trust closely monitor the achievement of recurrent and non-recurrent efficiency targets for 2024/25, ensuring full engagement and accountability from efficiency owners within the Trust. Developing an action tracker for PTS and monitoring against this will be critical to the Trusts FRP success and should be regularly monitored, reported and constructively challenged by the Board.
2. We continue to recommend that an MTFP is developed, evaluated for robustness, and approved by the Board as soon as practicable.



# Governance

This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how the Trust monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Trust approaches and carries out its annual budget setting process;
- how the Trust ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Trust ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Trust monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

In 2022/23 two significant weaknesses were identified in the Trust's arrangements to secure value for money in the Trusts arrangements relating to Governance. Both weaknesses pertained to the 'Improvement Programme' which was developed to address the Care Quality Commission (CQC) report outlining rating of "inadequate" which was published in August 2022. Following the publication of the report, the Trust engaged with national, regional and ICB colleagues developing and implementing an improvement plan. In late 2022 it was confirmed that the Trust would enter the NHSE Recovery Support Programme (RSP) which is designed to offer support and guidance to Trusts. Part of the RSP is the agreement by the Trust and stakeholders to an exit date following the delivery of exit criteria.

Our work in the prior year led to two recommendations which are detailed in our 2022/23 Auditor's Annual Report. The Trust has taken on board the recommendations, and as a result, our work for 2023/24 is assessed based on the arrangements in place throughout 2023/24 and at the year-end 31 March 2024.

The Trust have an Improvement Programme Oversight Board (IPOB) which reports into the Board on a regular basis. At March 2024, the Board received a report which set out the key risks and an overall RAG assessment on progress made in addressing the findings of the CQC report. The report summaries the 'must do's' and 'should do's' to address the findings in the CQC report as well as the 'exit criteria' to allow them to consider removal from NHS Oversight Framework Segmentation 4 (NOF 4), which they entered on 21 September 2022. The IPOB paper ties through to the Board Assurance Framework (BAF) as presented in March 2024, to become an organisation which is well led and achieves regulatory requirements by being rated as good or outstanding and being at least NOF 2.

At February 2024, the improvement programme identified one "exit criteria" as "off track, recovery actions not yet effective". This was highlighted to Board with the work outstanding in this area and actions needed to address this. The Trust reported that they considered themselves 'on track' to meet the exit criteria from NOF 4 by September 2024.

# Governance (continued)

The Trust also holds Tripartite Provider Assurance Meetings (TPAM) on a monthly basis. We have reviewed the latest report presented on the 16 May 2024 which notes that 3 'exit criteria' and 1 'must do' are not yet sufficiently progressed to be green RAG rated. We also noted that 8 'exit criteria', 1 'must do' and 7 'should dos' are not sufficiently progressed to be considered embedded and sustainable at the Trust.

We have reviewed the information publicly available on the Trust's website and note the transparency of having a dedicated section on the website titled "Improvement Programme" where the Trust have directed all 2023/24 updates to within the wider Stakeholder Bulletins. The latest one available to review at the time of this report is April 2024's which summarised a brief update of progress made.

In addition, the Trust's Improvement Programme has partly led to the development of an Operations Modernisation Programme, known as "Fit for the Future", which was presented to Board in November 2023 and launched in December 2023 as part of a wider change to the Trust's overall vision and strategy for 2024 – 2029. A series of engagement events were held in December 2023 to launch the Trust's new strategy (including the Fit for the Future Programme). The events were well attended by staff and information provided was well received. It provided staff with the opportunity to ask questions about changes to the organisation.

The Chief Executive has now been in place for a full 12 months and we can see from reviewing Board minutes and papers that regular updates are provided to senior stakeholders as appropriate. Some of the improvements SCAS are working on includes a 12-week cultural review which is underway in the Trust from March 2024.

We recognised in the prior year a lack of cohesion between the improvement programme and other strategic Trust-wide documents, leading to a lack of accountability for risk and project owners. Based on our work performed, we are satisfied that the governance arrangements have been somewhat improved to address this weakness. We also noted the Improvement programme being too focused on quick fixes with a view to exit NOF 4. We have also seen improvements in the way the Trust have developed the Fit for the future Programme with a focus on cultural improvements needed.

The Trust have also made relevant governance changes in order to deliver this programme by appointing their existing Chief Operating Officer into the role of Chief Transformation Officer from October 2023 to oversee this programme. A new committee has been set up, which is titled "Fit for the Future Programme Board" which reports into the Executive Management Committee. We were able to obtain the Terms of Reference for the Programme Board which sets out key objectives for the Programme Board, membership and key reporting chains which is considered good practice.

# Governance (continued)

We have however assessed the wider governance arrangements and specifically considered how the body ensures that it makes informed decisions and properly manages its risks. We met with numerous Trust stakeholders including the Chief Executive, Interim Director and Finance and the Audit Committee Chair and the Trusts NHS Improvement Director.

Whilst we recognise that improvements have been made by the Trust and that there is now cohesion between Trust wide strategic documents, we also recognise that progress on the Improvement Programme has been slower than anticipated, and being able to demonstrate when actions have been embedded remains unclear.

Significant churn at an Executive level continue to make the delivery of a clear action plan challenging and we have limited comfort that the Trust will be able to meet the date of September 2024 to deliver the criteria needed to exit NOF 4. Since completing our work in this area and the date of this report, management have informed us that the exit date has been extended to March 2025.

In assessing the governance of the Trust, we concluded that one significant weakness exists:

1. The Trust did not have adequate arrangements in place within 2023/24 to deliver and monitor against the criteria agreed within the Improvement Programme.

We have one key recommendations in relation to the significant weaknesses identified above:

1. We recommend that the Trust closely monitors its progress of the Improvement Programme and that the responsible executive leads are held accountable for non-delivery by the Board. Where progress is delayed, mitigating actions should be determined in a timely way, with realistic and achievable actions set to enable the Trust to continue to deliver, promoting shared responsibility for delivery between the executive leads. The Board should satisfy itself that revised delivery arrangements are robust.

# Improving economy, efficiency and effectiveness

This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Trust evaluates service quality to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the Trust commissions or procures services, how it ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how it assesses whether it is realising the expected benefits.

The Financial Recovery Plan was approved by the Board as reported in the month 11 finance report which was presented to Board in March 2024. This sets out the Trust aiming to return to a breakeven position by March 2025 by delivering £32.6m of recurrent savings.

Part of the process for initiating this plan was conducting a review of the financial position and underlying financial trends. This highlighted where costs had increased without recurrent income to offset these increased costs.

The main focus in operational areas tends to be on KPI's such as; cycle time, utilisation and staff abstractions. For each service the Trust provides there is a contracted set of KPI's. These are monitored locally within each service, through the contract management process with the commissioners of these services and by the Trust Board through directorate reports and the Integrated Performance Report (IPR). The IPR covers all the main national and contractual measures as well as quality and workforce information. The financial performance of each major service line and contract is reported to the Trust Board through the monthly finance report.

As an ambulance trust, SCAS have an important role in local care systems, especially with the increasing focus on delivering care remotely or in patients' homes. The Trust work across six integrated care systems, with the Hampshire and Isle of Wight Integrated Care Board (HIOW ICB) acting as their lead commissioner.

The Trust engage with partners in commissioning and provider organisations across all systems on a range of strategic and operational forums. The Trust works to ensure plans are aligned to the ICS's forward plans and that the needs of emergency and urgent care are appropriately considered within system plans.

Since year end, the Trust has announced their collaboration with four other ambulance trusts to create Southern Ambulance Services Collaboration (SASC). This includes working with East of England Ambulance Service NHS Trust (EEAST), London Ambulance Service NHS Trust (LAS), South East Coast Ambulance Service NHS Foundation Trust (SECamb) and South Western Ambulance Service NHS Foundation Trust (SWAST).

# Improving economy, efficiency and effectiveness (continued)

This collaboration has been driven from the Chief Executives of the Trusts and the aim is to deliver improvements in care for five trusts which face similar challenges and operate in a similar geographical area. One of the first priorities will be to identify which trusts perform certain functions particularly well and share this as best practice.

The Trust use performance information, such as CQC report outcomes, to assess their performance and identify improvements. This is covered as part of our commentary within the governance section of our report. Key performance indicators are also discussed regularly at committee meetings.

The Trust's procurement team engage with finance managers to discuss budget expenditure with the finance managers informing procurement of any forthcoming spend. The Procurement team also engage with other Trust support teams to ensure awareness of procurement requirements. The procurement team also maintain a contracts register of suppliers which is reviewed regularly to identify spend which has not been captured by the procurement process. Once procurement has taken place, contracts for procured services are managed by the appropriate procurement category lead and the stakeholder lead. Each work together to manage the relevant parts of the contract and supplier in relation to any KPIs, the specification requirements and any benefits/outcomes which formed the basis for the service award.

# Key recommendations

These recommendations relate to significant weaknesses we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the weaknesses identified from our work.

Criteria	Recommendation	Observation and implication / impact	Management response
<b>Financial sustainability</b>	1. We recommend that the Trust closely monitor the achievement of recurrent and non-recurrent efficiency targets for 2024/25, ensuring full engagement and accountability from efficiency owners within the Trust. Developing an action tracker for PTS and monitoring against this will be critical to the Trusts FRP success and should be regularly monitored, reported and constructively challenged by the Board.	As set out in our VFM commentary earlier in this report.	Accepted.
	2. We continue to recommend that an MTFP is developed, evaluated for robustness, and approved by the Board as soon as practicable.		
<b>Governance</b>	1. We recommend that the Trust closely monitors its progress of the Improvement Programme and that the responsible executive leads are held accountable for non-delivery by the Board. Where progress is delayed, mitigating actions should be determined in a timely way, with realistic and achievable actions set to enable the Trust to continue to deliver, promoting shared responsibility for delivery between the executive leads. The Board should satisfy itself that revised delivery arrangements are robust.	As set out in our VFM commentary earlier in this report.	Accepted.

# Key recommendations (continued)

These recommendations relate to significant weaknesses we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the weaknesses identified from our work.

Criteria	Recommendation	Observation and implication / impact	Management response
<b>Improving economy, efficiency and effectiveness</b>	None.	None.	None.
<b>Financial statements</b>	We have included significant internal control recommendations as identified as part of our financial statements audit.	Refer to Appendix I.	Refer to Appendix I.

# Appendix I: Significant internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our value for money work are reported separately in our Auditor's Annual Report.

Assessment	Issue	Recommendation	Management response
Red	<p><b>Income contracts not signed</b></p> <p>Whilst we are satisfied that revenue is not materially misstated in the financial statements. As part of our testing on income, we identified that management did not have in place signed income contracts.</p>	<p>Management should ensure that they have signed contracts in place for their revenue contracts for each financial year.</p>	<p>Income contracts for 2023/24 were not signed until June 2024. The process for 2024/25 is already underway and all contracts are required to be signed by July 2024.</p>
Red	<p><b>Remuneration report</b></p> <p>As in previous years, our work on the remuneration report “subject to audit areas” identified numerous errors. The supporting working papers were not of satisfactory quality, the disclosure was not compliant with the FT ARM and management were unable to provide explanations for the treatment of certain figures within the calculation where guidance was not followed. This led to numerous iterations of the draft disclosure and workings being provided to audit causing a considerable delay in this work being completed.</p>	<p>As a priority, management should:</p> <ol style="list-style-type: none"> <li>1. Read the guidance set out in the FT ARM and support guidance provided by NHS BSA for the disclosure requirements of Senior Managers.</li> <li>2. Ensure that the draft disclosure and supporting workings clearly comply with the requirements and;</li> <li>3. Implement a thorough internal review process of the information before it is provided to audit to ensure management are not solely depending on audit to identify these issues.</li> </ol>	<p>Unfortunately, there were issues with the original computation working and this was quickly rectified. Guidance is reviewed as part of the remuneration report completion. Unfortunately, as a small team there is very few people involved that are able to check the detail prior to submission. We will obviously work to improve the process in future years as far as possible.</p>

Key: **Significant deficiency** in internal control



# Appendix I: Significant internal control recommendations

Assessment	Issue	Recommendation	Management response
<b>Red</b>	<p><b>Fixed asset register</b> We have identified a number of control recommendations for the fixed asset register as follows:</p> <p><b>1. Grouping of assets</b> Individual assets on the asset register have been grouped and capitalised as a single asset. This prevents proper asset management and risks overstatement of assets through the lack of necessary detail being able to be included. This also increases the risk of loss due to theft or damage, as assets are not as clearly individually identifiable.</p> <p><b>2. Disposals</b> There are historic assets on the fixed asset register than are not clearly identifiable as no longer being held. We sampled one such item which was disposed of in year but should have been disposed of a number of years ago. We are satisfied that the impact is not material, however, it could lead to material overstatement of opening and closing costs and accumulated depreciation figures in the future.</p> <p><b>3. Monitoring of the fixed asset register</b> We have rolled forward the recommendation identified in 22/23 in relation to nil net book value asset reviews into one over-arching control around monitoring the fixed asset register. The fixed asset register is not detailed enough to be reviewed as a standalone document. In many cases, the fixed asset register is not detailed enough to allow assets to be traced and identified in sufficient detail to perform necessary accounting entries. This is more prevalent to historic assets.</p>	<p>Management should:</p> <p>1. Ensure that assets included on the fixed asset register as individually identifiable.</p> <p>2. Perform a review of assets included on the fixed asset register to identify any assets which are no longer in use by the Trust which have been disposed of.</p> <p>3. Perform a review of the fixed asset register, with a focus on historic assets, to improve the information included on the fixed asset register.</p>	<p>Whilst we note there are still issues in this area, significant progress has been made on this in the last 12 months. As this relates to extremely old assets, it is taking time to review and resolve.</p> <p>There is an ongoing review of the fixed asset base and items will be removed where they are found to have been disposed of.</p> <p>In plant and equipment much of this work has been completed. The fixed asset register has been reviewed and further detail has been added to allow individual assets to be identified.</p>

Key: **Significant deficiency** in internal control

# Appendix I: Significant internal control recommendations

Assessment	Issue	Recommendation	Management response
Red	<p><b>Annual report</b></p> <p>The draft annual report provided to audit was not provided to a satisfactory standard or in the agreed timeframe. The annual report was incomplete, included information from the prior year which was not updated and had information omitted (e.g. exit packages disclosure).</p> <p>This led to a delay in being able to start our review of the annual report at an early enough point in the audit to ensure an efficient and effective review to provide timely feedback to management.</p>	<p>Management should have a clear accountable individual who is responsible for producing the annual report to specific deadlines. Management should also ensure an appropriate review process is in place to ensure a good quality draft annual report is provided to audit.</p>	<p>Though the Trust is heading in a positive direction there has been significant churn and sickness at an Executive level and within the Governance Team, which resulted in a change in Executive lead. Recognising that this meant that the Trust was delayed in start the Annual Report.</p>
Red	<p><b>Income</b></p> <p>Whilst we recognise that the quality of the income working papers provided to audit has improved, the working papers contained errors and were provided to audit later than planned.</p> <p>There is still room for improvement in this area and we recognise a control weakness in relation to management being over reliant on one individual who was unavailable during crucial points in the audit.</p>	<p>Management should ensure an appropriate review process is in place to ensure good quality working papers are provided to audit.</p>	<p>Income reporting is a focus of improvement. Given the small finance team, we are over reliant on individuals in many areas. We will look to make the income report more robust in the coming months.</p>

Key: **Significant deficiency** in internal control

# Appendix I: Significant internal control recommendations

Assessment	Issue	Recommendation	Management response
<b>Red</b>	<p><b>Valuation of land and buildings</b></p> <p>We have identified management's lack of challenge to the valuer in relation to the valuation work provided in prior years and the current year as a weakness.</p> <p>Lack of challenge by management meant that management were unable to provide us with comprehensive explanations or reasons for changes when audit queries were raised. This meant the work experienced delays and additional audit work was required to obtain sufficient assurance over the valuation of land and buildings.</p>	<p>Whilst we appreciate management are relying on the valuer as their third-party expert, they should still be providing adequate challenge to understand the basis of valuation, assumptions used and key drivers for material changes.</p>	<p>The Trust instructs experts to carry out specialised work where they do not have the skills within the organisation.</p> <p>The prior valuers were use for a considerable length of time and the Trust would regularly review the valuation reports.</p> <p>For the 2023/24 year end the appointment of Savills was made late in the year and this led to delays in receiving the valuation report and made challenge difficult. Going forward the intention would be to continue with Savills and this would make earlier reporting and challenge possible.</p>

Key: **Significant deficiency** in internal control

# Appendix II: Follow up of prior recommendations

Assessment	Issue	Recommendation	Auditor follow up in 23/24
<b>Journal approvals</b>	<p>We have rolled forward this recommendation from 2021/22, expanding more on the risk for the Trust and increasing this to a significant deficiency.</p> <p>The Trust's policy on journals does not require any authorisation or approval prior to journals being posted. The policy does require staff to submit a log of journals posted each month to their approver, however, journals could be omitted either accidentally or deliberately, therefore avoiding review. Journals could therefore not be appropriately reviewed, which increases the risk of fraud or error.</p> <p>From our testing however, we have not identified any material misstatement in relation to management override of controls.</p>	<p>We recommend the Trust implement and enforce a review process for journals (or at least a de minimus threshold), prior to the journal being posted to ensure that sufficient segregation of duties and approval is obtained.</p>	<p>This has now been superseded by a “non-significant” recommendation as part of our 2023/24 audit work included in our ISA 260.</p>
<b>Income recognition</b>	<p>The process of reporting and presenting income relies heavily on manual journal recoding of transactions and this processes has created a broken audit trail, leading to unreconciled differences in supporting schedules.</p> <p>This introduces significant challenges for audit and the Trust in tracing receipts of income through to underlying contract and final location within the financial statements. This increases audit time required to ensure income is correctly classified.</p> <p>These processes increase the risk of material misstatement of income and could produce poor quality management information and impact decision making.</p>	<p>We recommend that the Trust review the processes for income recognition and establish practices that reduce the level of manual involvement in the process.</p>	<p>Refer to our 2023/24 control recommendation for income which supersedes this recommendation.</p>

Key: **Significant deficiency** in internal control

# Appendix II: Follow up of prior recommendations

Assessment	Issue	Recommendation	Auditor follow up in 23/24
Use of provisions	<p>We identified that invoices were raised for ECRs with NHS bodies, that were subsequently disputed and provided for with the debit entry to other operating income. This is not material, however, as the GAM prohibits providing for NHS debt, this could have the impact of creating false variances in the DHSC Agreement of Balances (AOB) process and could inappropriately influence the year end position of current and future years if provisions are subsequently released.</p>	<p>We recommend that the Trust consider its use of provisions to ensure that all provisions are accounted for in line with the DHSC GAM and IAS 37 ensuring appropriate recognition criteria have been met.</p>	<p>We have not identified this as a weakness in 2023/24.</p>
	<p>We also identified that the Trust has released £1.9m of provisions which related to income received in prior years that was expected to be clawed back in future periods. This release is appropriate in this financial year, however, the use and release of inappropriate provisions could impact current and future years financial positions. The impact of this is not material in the current or prior year.</p>		
Accruals cleansing	<p>The Trust undertook a large manual data cleansing process at the 2022/23 year end to remove accruals that based on updated information, were now determined to not be required. This was performed by various Finance Managers and lacked a comprehensive audit trail of the accruals cleansed.</p>	<p>We recommend that the Trust ensures that where significant manual processes are being undertaken, such as the data cleansing processes, that these are performed with a full audit trail.</p>	<p>As at the date of this report, our work in this area is still on going. We will provide an update to this control recommendation in the final version of this report.</p>
	<p>In our testing of accruals, we identified that when journaling out unnecessary accruals there were occasions when the reversing entry was made to either the incorrect accrual account or incorrectly to prepayments.</p>		
	<p>Whilst we have obtained sufficient audit evidence over accrual balances, this has the potential to misstate accruals balances in future years within detailed accruals codes and creates difficulties in identifying the year end population.</p>		

Key: **Significant deficiency** in internal control



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