



Yorkshire Ambulance
Service NHS Trust

Annual Audit Letter to
the Audit Committee

October 2011

Introduction

1. The purpose of this Annual Audit Letter ("letter") is to summarise the key issues arising from the work that we have carried out during the year. Although this letter is addressed to the directors of Yorkshire Ambulance Service NHS Trust ("the Trust"), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Trust's website.
2. This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.
3. On 13 August 2010, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. Consultation on the new audit framework closed on 30 June 2011 and proposals will be included in a draft bill to allow full Parliamentary scrutiny in due course. The Commission is in the process of undertaking a market tender exercise to outsource the audits currently undertaken by its in-house practice with new appointments expected to apply from the 2012/13 financial year. Audits already outsourced, including this Trust, are not expected to be affected by this change in appointments. Both we and the Audit Commission will keep you informed of further developments.

Responsibility of the auditor and the Trust

4. We have been appointed as the Trust's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including NHS Trusts.
5. As the Trusts external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Trust achieving its objectives. It is the responsibility of the Trust to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Trust is fulfilling these responsibilities.

The scope of our work

6. Our main responsibility as your appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice ("the Code"). Under the Code, we are required to review and report on:
 - the Trusts accounts, and
 - whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This letter summarises the significant issues arising from both these areas of work and highlights the key areas that we consider should be addressed by the Trust.

Key issues arising from the audit of the accounts

7. We were able to issue an unqualified opinion on the Trust's accounts and summarisation schedules on 7 June 2011 in accordance with the deadline set by the Department of Health. Our opinions confirmed that the accounts gave a true and fair view of the Trust's financial affairs and of the income and expenditure recorded by the Trust during the year.
8. Before we give our opinion on the accounts, we are required to report to the Trust's Audit Committee significant matters arising from the audit. A detailed report was considered by the Audit Committee on 7 June 2011 and only the key issues are summarised here.

Accounts

9. We received a complete set of draft accounts, in accordance with the deadline set by the Department of Health, which were supported by good quality working papers.

We identified only a small number of misstatements within the accounts. These misstatements were considered by those charged with governance and concluded to be immaterial.

Financial standing

10. Trusts have a number of key financial duties (summarised below). The Trust met all of its targets with the exception of the duty to pay all creditors within 30 days of receipt of a valid invoice. The Trust should seek to improve performance in this area.

Target	Yorkshire Ambulance Service NHS Trust
Achieve operational financial balance (statutory duty)	✓
Keep within the capital resource limit (CRL) (statutory duty)	✓
Remain within its External Financing Limit (EFL) for the year (statutory duty)	✓
Pay all creditors within 30 days of receipt of a valid invoice (not a statutory duty)	X

Key issues arising from the review of the Trust's use of resources

11. Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a positive conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness in its use of resources (the "value for money" or "VFM" conclusion).

12. In 2010 the Government announced that all use of resources activity was to cease going forward and that auditors should bring the assessment of health entities to a close and report findings under the UoR framework for the last time in June 2010.
13. For 2010/11 appointed auditors were required to base their VFM conclusion upon two reporting criteria specified by the Audit Commission as set out in the table below.

The organisation has proper arrangements in place for securing financial resilience.	The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
What the auditor will consider:	
The organisation has robust financial systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and improving efficiency and productivity.
The work to support the VFM conclusion:	
The auditor will undertake risk based work focusing on the robustness of the organisation's arrangements relating to financial governance, strategic financial planning and financial control. The auditor's work may be informed by the results of previous audit work, the Commission's guidance for auditors and tools provided by the Commission.	The auditor will undertake risk- based work on the robustness of the organisation's arrangements for prioritising resources and improving productivity and efficiency. This may be informed by the results of previous audit work, and the work of other inspectorates or review agencies. Auditors may use, on a risk basis, a set of tools provided by the Commission for this work.

As a result of the above changes we are no longer required to assess how well NHS organisations manage and use their financial resources by providing scored judgments.

Value for money conclusion

14. We were satisfied that in all significant respects the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ending 31 March 2011.
15. In reaching our value for money conclusion and in line with the audit plan we have performed and considered conclusions from the following reviews;
 - financial standing and financial planning arrangements;
 - historic delivery of cost improvement plans;
 - development of future cost improvement programmes;
 - financial reporting arrangements; and and
 - progress against the former Auditor Local Evaluation review.

Legality

16. It is the Trust's responsibility to act within the law. As auditors we are required to consider the adequacy of the Trust's arrangements for ensuring the legality of transactions which might have a financial consequence.
17. We also have a responsibility to bear in mind the question of legality and to take reasonable steps to inform ourselves of significant financial transactions or events that are unusual or of questionable legality.
18. We have kept under review the Trust's arrangements in the area of legality, which may have a financial impact. We concluded that the Trusts general arrangements for identifying and dealing with legal issues are satisfactory.

Key recommendations

19. During the year we made a number of recommendations to the Trust. We do not consider that any of these recommendations are of such significance to warrant further emphasis within this report.
20. We also followed-up the recommendations that we made in previous years. Where recommendations had not been implemented, and to the extent that they remain relevant, we have reissued the recommendation in reports to management.

Independence and objectivity

21. In our professional judgment the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

Statement of responsibilities

22. We view this report as part of our service to you for use as Directors of Yorkshire Ambulance Service NHS Trust for Corporate Governance purposes and it is to you alone that we owe a responsibility for its contents.
23. The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.
24. It is the responsibility of audited bodies to maintain adequate and effective financial systems and to arrange for a system of internal controls over the financial systems. Auditors should evaluate significant financial systems and the associated internal controls and, in doing so, be alert to the possibility of fraud and irregularities. Our findings are based upon an assessment of the design of controls at the time of review. We did not necessarily review the operation of controls throughout the financial year.

25. For your convenience, this document has been made available to you in electronic format. Multiple copies and versions of this document may therefore exist in different media - in the case of any discrepancy the final signed hard copy should be regarded as definitive. Earlier versions are drafts for discussion and review purposes only.
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Closing remarks

27. The letter will be presented to the Audit Committee in December 2011 with a copy provided to all Board Members.
28. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Trust's own agenda. We recognise the value of your co-operation and support.

Deloitte LLP

Deloitte LLP

Newcastle upon Tyne

28 October 2011

Appendix 1 – Fees

	Actual (£)	Planned (£)	Variance (£)
Financial Statements	58,772	58,772	0
Mandatory Use of Resources	52,000	52,000	0
Locally determined risk based work	30,000	30,000	0
Non Audit Work	28,000*	0	28,000
Total Fees	168,772	140,772	28,000

* Non Audit work consisted of two reviews to provide assurance to the Trust in relation to integrated reporting arrangements and the capacity of the finance function.