



# Auditor's Annual Report 2023/24

**East Midlands Ambulance Service NHS Trust**

—  
July 2024

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## KEY CONTACTS

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This report is addressed to East Midlands Ambulance Service NHS Trust (the Trust). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

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



# 01 Executive Summary

# Executive Summary

## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of East Midlands Ambulance Service NHS Trust (the ‘Trust’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

This version of the report is a discussion draft – a final version will be prepared after the completion of the final accounts audit and be published on the Trust’s website.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).



**Annual report** - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) 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.



**Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities:

<b>Accounts</b>	<p>We issued an <b>unqualified opinion on the Trust’s accounts on 27 June 2024</b>. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page seven.</p>
<b>Annual report</b>	<p>We <b>did not identify any significant inconsistencies</b> between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.</p>
<b>Value for money</b>	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have <b>nothing to report in this regard</b>.</p>
<b>Other reporting</b>	<p>In year the NHSE allocated additional funding for the Trust to increase resource output by resourcing hard to fill overtime shifts. <b>These payments are outside the scope of Agenda for Change and are ultra vires</b>.</p> <p><b>A section 30 referral was made to the Secretary of State</b> in relation to this spend.</p>

# 02 Audit of the Financial Statements

# Audit of the financial statements

## **KPMG provides an independent opinion on whether the Trust's financial statements:**

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State in February 2024 as being relevant to NHS Trusts and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Audit opinion on the financial statements**

### **We have issued an unqualified opinion on the Trust's financial statements on 27 June 2024.**

The full opinion is included in the Trust's Annual Report and Accounts for 2023/24 which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements

The table below summarises the significant risks that we identified to our audit opinion as part of our risk assessment and how we responded to these in our audit.

Risk	Procedures undertaken	Findings
<p><b><i>Fraudulent expenditure recognition</i></b></p> <p>As the Trust and the System is set a financial performance target by NHS England there is a risk that non-pay expenditure, excluding depreciation, may be manipulated in order to report that the control total has been met.</p> <p>The setting of a control total can create an incentive for management to overstate the level of non-pay expenditure compared to that which has been incurred.</p> <p>As at month nine, the Trust reported a year-to-date net income and expenditure surplus of £943k against a break even delivery plan.</p> <p>We consider this would be most likely to occur through understating accruals, for example to bring forward expenditure from 2024/25 to mitigate financial pressures</p>	<p>We evaluated the design and implementation of controls for reviewing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;</p> <p>We inspected a sample of invoices of expenditure, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period;</p> <p>We selected a sample of payments from the bank statements in the period after 31 March 2024 and agreed these to underlying supporting evidence to determine that all the liabilities are completely and accurately recorded in the correct accounting period;</p> <p>We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded.</p> <p>We inspected journals posted as part of the year end close procedures that decrease the level of expenditure and accruals recorded at the year end in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence;</p> <p>We performed a retrospective review of prior year accruals in order to assess the existence and accuracy with which accruals had been recorded at 31 March 2023 and consider the impact on our assessment of the accruals at 31 March 2024.</p> <p>We performed a year on year comparison of the accruals made in March 2024 and April 2024 and challenged management where the movement is not in line with our understanding of the entity.</p>	<p>We note the Trust has high level controls in place designed to detect misstatement of accruals (such as monthly review of management accounts and accruals lists) and we understand monthly comparisons are undertaken as part of preparation of the financial statements.</p> <p>However these controls are not formally documented, and/or lack the detailed precision to be required to meet the management review control requirements as defined by Auditing Standards.</p> <p>As such we have not been able to confirm the operating effectiveness of these controls, and performed a substantive approach to our testing.</p> <p>However, we are not raising a formal control observation in this regard, and consider the Trust's existing controls to be proportionate to address the associated risk.</p> <p><b>Based on the audit work performed to date and the evidence obtained we consider the recognition of non-pay expenditure to be appropriate.</b></p>

# Audit of the financial statements

The table below summarises the other key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these in our audit.

Risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.</p> <p>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</p> <p>Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</p> <p>Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual.</p> <p>We have analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.</p>	<p>We identified 13 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify any inappropriate entries.</p> <p>We verified the effective design and implementation of an effective manual approval control over journals.</p> <p>We evaluated accounting estimates, including the consideration of the valuation of land and buildings and did not identify any indicators of management bias.</p> <p><b>We did not identify any significant unusual transactions.</b></p>

# Audit of the financial statements

The table below summarises the other key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these in our audit.

Risk	Procedures undertaken	Findings
<p><b>Valuation of land and buildings</b></p> <p>Land and buildings are required to be held at fair value.</p> <p>As Ambulance buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.</p>	<p>We critically assessed the independence, objectivity and expertise of Wilks Head &amp; Eve, the valuers used in developing the valuation of the Trust's properties at 31 March 2024;</p> <p>We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Group Accounting Manual;</p> <p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;</p> <p>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement.</p> <p>We performed inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the GAM;</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the GAM; and</p> <p><b>Disclosures:</b> We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</p>	<p>We have completed the procedures and are satisfied with the approach taken to update the property valuation. As a result of our detailed testing we have determined that the valuation of land and buildings is not materially misstated.</p> <p><b>We considered the estimate to be balanced based on the procedures performed.</b></p>

# 03 Value for Money

# Value for Money

## Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**Financial sustainability:** How the Trust plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Trust ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12	14	15
Identified risks of significant weakness?	Yes	No	No
Actual significant weakness identified?	No	No	No
2022-23 findings	Risk to significant weakness was noted but did not materialise into a significant weakness	No significant weakness identified	No significant weakness identified
Direction of travel			

# Value for Money

## NATIONAL CONTEXT

### *Financial performance*

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

### *Operational performance*

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment. Income arrangements for the acute sector were revised in year to reimburse providers for elective activity based on the actual number of patients treated.

### *System working*

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

## LOCAL CONTEXT

The Trust provides emergency and urgent ambulance services for around 4.9 million people, covering approximately 6,452 square miles across six counties of Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire and Rutland.

The Trust reports through the Joined Up Care Derbyshire (JUCD) ICS as its “lead” ICS but like most ambulance trusts has a regional footprint, operating wholly across other ICS regions.

### *Financial performance*

The Trust initially planned to deliver a breakeven position, having achieved this position in the prior period.

The month 9 (December 2023) Finance Report showed that the Trust delivered a year to date (YTD) surplus position of £943k against a break even delivery plan.

In the current year, the Trust had a challenging efficiency programme in place, and within the financial plan there was an assumption that the Trust would deliver cash releasing efficiency savings of £11.1 million in order to meet the control total. As per reporting for month 8 (November 2023), the Trust had delivered savings of £7.7 million, in line with the planned programme.

### *System working*

The Derbyshire system as a whole is recognised to have a challenging financial position. In line with revised targets, the total system deficit for the year end 31 March 2024 was £42.3m.

The Trust sits within the Single Oversight Framework segment 2 however the ICS rating dropped from a segment 2 to a segment 3 in 2023/24, which requires mandated support to improve the financial position.

The 2024/25 Trust and ICS plan was approved, with the overall ICS forecasting a deficit of £50 million. The plans includes a challenging cost improvement target of 5% for the system, which is greater than the CIP delivered in the current year.

# Financial Sustainability

## How the Trust plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- 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 other plans such as workforce, capital, investment, and other operational planning 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, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

## Summary of arrangements

We have **not identified any significant weakness** in the Trust's arrangements in relation to financial sustainability.

### Delivery against 23-24 financial plan

The Trust's 2022-23 financial plan was a breakeven position and within that the assumption that £11.1 million of cash releasing efficiency savings would be made. The month 9 (December 2023) Finance Report shows the Trust delivered a year to date (YTD) surplus position of £943k against a break even delivery plan.

At period end, the Trust achieved an overall break even position, in line with prior year plan submission.

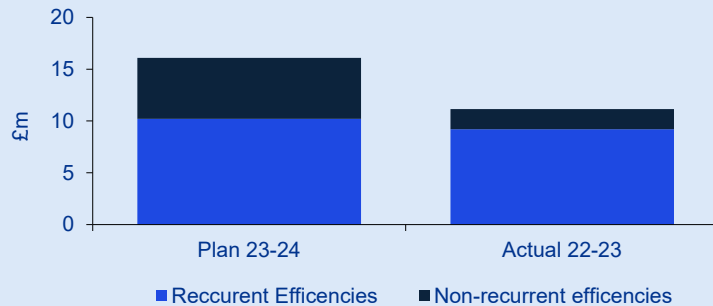
The Trust achieved 100% of its CIP efficiency target, with total savings of £11.1m. Of this 78% was achieved through recurrent schemes.

Whilst we note that the Trust is generally in a strong financial position, there remains a significant underlying deficit across the wider ICS in Derbyshire with a projected reported system deficit of £44m for the year ended 31 March 2024.

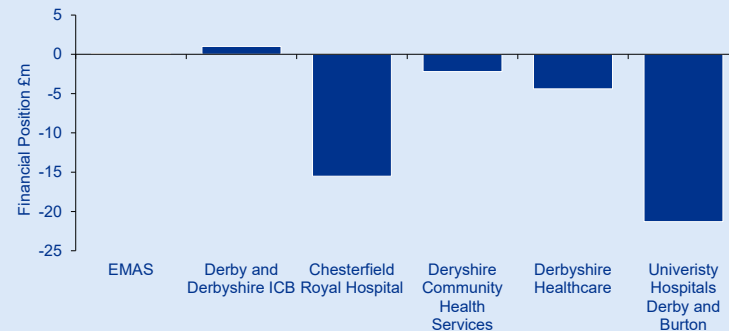
Key financial and performance metrics:	2023-24	2022-23
Planned deficit (adjusted financial performance)	£0.0 million	£0.0 million
Actual outturn (adjusted financial performance)	£0.1 million	£0.1 million
Planned CIP as a % of spend	3.6%	3%
- Recurrent	£9.2 million	£5.0 million
- Non-recurrent	£1.9 million	£2.6 million
Actual CIP as a % of spend	3.7%	2.6%
- Recurrent	£8.7 million	£0.6 million
- Non-recurrent	£2.4 million	£6.5 million
Year-end cash position	£20.1 million	£18.2 million

# Financial Sustainability (cont'd...)

Cost Improvement Plans Recurrent / Non-Recurrent



Financial Position of JUCD Partners as at 31 March 2024



## Planning Process for 2024/25

The Trust’s financial plan was approved by the Finance and Performance Committee in April 2024 and this was submitted in line with the national deadline on 2 May 2024. This shows an adjusted planned break even position for the 2024/25 financial year. The position assumes that 5% efficiencies are made in 2024/25, which equates to £16.1 million in the EMAS plan. To deliver the efficiency savings required the Trust has to underspend each month by £1.3 million against budgets. Whilst this savings programme contains an element of understood risk, we note that there is no unidentified savings.

The Trust worked closely with System partners to develop the 2024/25 finance and operational plan for the JUCD System. This was approved by Board on 29 April 2024 and was submitted in line with the national deadline on 2 May 2024. This System wide Plan submitted included a total deficit of £68.8m plus an additional £6.5m for a technical adjustment relating to UK GAAP treatment of the PFI, giving a total System deficit of £75.3m for the 2024/25 year. Following this Plan submission, this ICB actively engaged with the NHSE national team to understand where further savings and efficiencies could be achieved. At the System Plan review meeting with the national team (10 May 2024), JUCD was challenged to improve the position further.

System partners met to discuss options and how this could be achieved. Executive level discussions and meetings were held across all JUCD partners to ensure a collaborative approach from both operational and finance perspective.

As a result a framework (system agreed action plan) has been agreed that reduces the deficit position to £50m, excluding the impact of UK GAAP, bringing the Plan for 2024/25 in line with the outturn for 2023/24 and meeting the ask from the national team. The was developed in co-ordination with all system partners. This includes a break even position for EMAS. This was accepted as an approved submission by the national team.

# Governance

## **How the Trust ensures that it makes informed decisions and properly manages its risks.**

We have considered the following in our work:

- how the Trust monitors and assesses risk and how the body 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; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour

## **Summary of arrangements**

We have **not identified any significant weaknesses** in the Trust's arrangements in relation to governance.

### **Risk Management Process**

We consider the Trust to have effective processes in place to assess, manage and monitor risk. The Board Assurance Framework (BAF) is the key tool used by the Trust to provide assurance that risk and control mechanisms are in place and operating effectively. Individual sub-committees (Finance & Performance, Workforce and Quality & Governance) are responsible for the oversight of the risks which relate to their remit. Committees and subgroups review and challenge local risk registers including review of risk scores, actions to mitigate the risks and associated sources of assurance.

The Trust have a dedicated local counter fraud service (LCFS) provided by 360 Assurance. The LCFS has an agreed work plan and reports on their progress to each Audit and Assurance Committee, with an annual report taken at the end of the year. In addition, internal audit services for the Trust is also provided by 360 Assurance. A full assurance opinion is provided on an annual basis and in current year a substantial assurance opinion was provided.

### **Governance and Decision Making**

Key strategic decisions are made via the Trust's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. This document is reviewed on an ongoing basis by Trust Board. The latest review took place in December 2023. The Trust have agreed business case templates in place and each case is subject to approval in line with the scheme of delegation prior to formal approval at appropriate committee level.

During 2023/24, in order to improve Category 2 ambulance response times, the Trust increased resource output at nights and weekends by making incentive payments to staff to work additional overtime shifts. The Trust assumed that these were consistent with the national contract of employment introduced by Agenda for Change but has subsequently confirmed the payments were outside the scope of Agenda for Change and would need prospective approval from NHS England before payment. The Trust has sought retrospective approval from NHS England but this has not yet been obtained.

	2024	2023
Head of Internal Audit Opinion	Significant assurance	Significant assurance
Oversight Framework segmentation	Trust – 2 System - 3	Trust – 2 System - 2
Care Quality Commission rating	Good	Good

# Improving economy, efficiency and effectiveness

## *How the Trust uses information about its costs and performance to improve the way it manages and delivers its services*

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

## *Summary of arrangements*

We have **not identified any significant weaknesses** in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

## *Monitoring of Efficiency and Performance*

The Trust has a developed Efficiency Programme Board who have been given the authority to plan, develop and implement the Trust efficiency programme. The Efficiency Programme Board will be the core point within EMAS for bringing together and leading the programme. This formally reports to the Finance and Performance Committee on a monthly basis, in-turn assuring (or otherwise) the Trust Board. In addition to the formal reporting and accountability to Trust Board, the Trust Executive Team will receive monthly efficiency programme updates with more detailed financial and operational metrics for both assurance and scrutiny.

The main element of performance reporting is the Integrated Board Report (IBR) which provides the Trust Board with key operational performance indicators on a monthly basis. The IBR provides an overview of the key metrics for Trust Board aligned to the Trust's strategic ambitions and Board Assurance Framework (BAF) risks. This has been revised in year to further align key reporting metrics against risks recorded in the BAF.

## *Partnership Working*

The Trust is part of the wider Joined Up Care Derbyshire (ICS). Members of the Board and leadership team are integrated within the governance of the system. Planning is performed at an ICS level as well as considering the individual entities that makeup the system, with the aim of achieving financial sustainability at a system level rather than a traditional focus on individual control totals. Working in the system, the interaction between providers and other stakeholders is essential to ensure appropriate operational and clinical flow across the system and longer term objectives.

The Trust engage well within partnerships and have continued to work well and to develop strategies with other organisations. EMAS has representation at senior level at every local ICS board to provide input and comment to their plans. EMAS is also playing a lead role within Joined Up Care Derbyshire through their membership and active engagement on the Provider Collaborative Leadership Board. Given the increased focus on performance and deficits at a system level, increased joint working is essential and will need to continue to be a priority.



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**Document Classification: KPMG Public**