

NORTHERN IRELAND AMBULANCE SERVICE HEALTH AND SOCIAL CARE TRUST – Public Funds

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Northern Ireland Ambulance Service Health and Social Care Trust for the year ended 31 March 2022 under the Health and Personal Social Services (Northern Ireland) Order 1972, as amended. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international Financial Reporting Standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for the effects of the matter described in the Basis for opinions section of my certificate, the financial statements:

- give a true and fair view of the state of the group's and of the Northern Ireland Ambulance Service Health and Social Care Trust's affairs as at 31 March 2022 and of the group's and the Northern Ireland Ambulance Service Health and Social Care Trust's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended and Department of Health directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I disagree with the Northern Ireland Ambulance Service Health and Social Care Trust's classification of the liability for unpaid elements of annual leave in both the current period (£6m) and the corresponding period (£4m). Therefore, my 'true and fair view' opinion is qualified with regard to the classification of payroll liabilities as accruals. The liability was recognised in the financial statements as an accrual however, I consider there to be sufficient uncertainty over the timing and amount of this liability for it to be classified as a provision as per definitions prescribed in International Accounting Standards.

The classification of the liability as an accrual in the Northern Ireland Ambulance Service Trust's financial statements secures funds for future payment, rather than having to bid for them again in the coming year and conflicts with budgetary guidance issued by the Department of Finance. NIAS consulted the Department of Health on whether it should adjust its accounts given the potential qualified audit opinion. The Department strongly supported a position where NIAS would be

consistent in its accounting treatment with other Trusts and not adjust the accounts. It considered that a qualification in this regard was not a negative reflection of NIAS's financial management

This misstatement does not impact on Comprehensive Net Expenditure or Net Asset position. The Northern Ireland Ambulance Service Trust has chosen not to adjust the financial statements to remove this misstatement

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Northern Ireland Ambulance Service Health and Social Care Trust in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Northern Ireland Ambulance Service Health and Social Care Trust's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Northern Ireland Ambulance Service Health and Social Care Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for the Northern Ireland Ambulance Service Health and Social Care Trust is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Trust and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited, and my audit certificate. The Trust and the Accounting Officer are responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Health directions made under the Health and Personal Social Services (Northern Ireland) Order 1972 as amended; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Northern Ireland Ambulance Service Health and Social Care Trust and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Apart from the disagreement of accounting treatment in which I have qualified my opinion, I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records.

Responsibilities of the Trust Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Trust Board and the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Northern Ireland Ambulance Service Health and Social Care Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Northern Ireland Ambulance Service Health and Social Care Trust will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Northern Ireland Ambulance Service Health and Social Care Trust through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Health and Personal Social Services (Northern Ireland) Order 1972, as amended;
- making enquires of management and those charged with governance on Northern Ireland Ambulance Service Health and Social Care Trust's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Northern Ireland Ambulance Service Health and Social Care Trust's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: expenditure recognition and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and

- investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

My detailed observations are included in my report attached to the financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court, Upper Galwally
Belfast
BT8 6RB

7 July 2022

Report by the Comptroller and Auditor General to the Northern Ireland Assembly

Northern Ireland Ambulance Service 2021-22

Introduction

1. This report highlights a continuing significant accounting classification matter arising from my audit of the Northern Ireland Ambulance Service's (NIAS) Annual report and Accounts for 2021-22. Last year I qualified my opinion on the financial statements as I disagreed with NIAS's accrual classification in the accounts for unpaid elements of annual leave instead of being accounted for as a provision. As this accounting treatment, £5.981m of an accrual (2020-21 £3.967 million) has re-occurred this year, I am again qualifying my audit opinion. I consider there to be sufficient uncertainty regarding the timing and amount of this liability for it to be classified as a provision under the definitions in International Accounting Standard (IAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*.
2. IAS 37 states that a provision should be recognised when there is *a present obligation resulting from a past event, payment is expected and there is uncertainty over its timing or amount*. Accruals are recorded in the accounts as a current liability as there is generally much less uncertainty than for provisions, over the timing or amount of the transaction creating the obligation.

Background

3. The Department of Health (DoH) recognises that Health and Social Care employers have not implemented all the terms and conditions for payroll, known as the Agenda for Change (AfC), in regard to pay during annual leave. This was the case right across the UK.
4. In the case of *Agnew v Police Service of Northern Ireland (PSNI)*, a tribunal found in favour of the plaintiff and mandated that PSNI should implement a remedy, to include arrears of pay covering the 20 year period from when the European Working Time Directive (WTD) was introduced. While an appeal of judgement in *Agnew vs PSNI* is due to be heard in the Supreme Court, this will focus on the period of liability and not the principle of paying regular overtime as part of pay during annual leave. It is expected DoH, on behalf of HSC employers including NIAS, will be required to negotiate and settle this issue with Trade Unions although this process has not yet started.
5. It is not disputed that a liability exists: the area of doubt is the quantification of the liability and the timing of future payments to settle the liability. NIAS, in line with the position across the HSC, believes that there is a clear and reasonable basis for estimating these costs in light of the practices in other parts of the UK.
6. In Great Britain negotiations are either at an advanced stage or have been resolved with Scotland settling its liability by going back to 1 August 2017. The amount of compensation for each jurisdiction in Great Britain was based upon various different assumptions of how to quantify qualifying pay elements.
7. NIAS, in conjunction with the Department and other HSC employers, used the information from other jurisdictions to determine an estimated liability for the purposes of the accounts. This does not take into consideration any legal advice for local circumstances and is in advance of proposals being drafted for negotiation with trade unions.

Figures included in the accounts

8. Although all Trusts have adopted the same accounting treatment, the accrual of £5.981 million is material to the auditor's opinion for NIAS's financial statements when considered in the context of total operating expenditure.
9. NIAS consulted DoH on whether it should adjust its accounts given the potential qualified audit opinion. DoH strongly supported a position where NIAS would be consistent in its accounting treatment with other Trusts and not adjust the accounts. It considered that a qualification in this regard was not a negative reflection of NIAS's financial management.

Summary of findings

10. NIAS accounted for the holiday pay liability of £5.981m as an accrual in its 2021-22 financial statements rather than a provision. This course of action had the effect of securing funds from the 2021-22 budget for future payment, rather than having to bid for them again in the coming year. This does not accord with budgetary guidance issued by DoH.

NIAS's response

11. NIAS told me that the holiday pay issue has been under consideration for some time and that this and other regionally significant issues are routinely discussed with Trust Finance Directors to ensure a consistent approach across the HSC.

Conclusions

12. I am concerned that NIAS has applied an accounting treatment for liabilities that does not meet the Department of Health's budgetary guidance or International Accounting Standards. I intend to monitor the situation in the coming months as negotiations progress on the holiday pay issue. I expect to see a resolution and payment of the retained funds before 31 March 2023.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Belfast
BT8 6RB
7 July 2022