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# *Dorset HealthCare University NHS Foundation Trust*

Annual Audit Letter

*Year ended 31 March 2018*

Government &  
Public Sector

September 2018





**The Council of Governors**  
Dorset HealthCare University  
NHS Foundation Trust  
Sentinel House  
Nuffield Industrial Estate  
Nuffield Road  
Poole  
BH17 0RB

September 2018

## ***Report to the Council of Governors***

Dear Ladies and Gentlemen,

We are pleased to present our Annual Audit Letter summarising the results of our audit for the year ended 31 March 2018.

Yours faithfully

PricewaterhouseCoopers LLP

Reports and letters prepared by external auditors and addressed to governors, directors or officers are prepared for the sole use of the NHS Foundation Trust and no responsibility is taken by auditors to any governor, director or officer in their individual capacity, or to any third party.

*PricewaterhouseCoopers LLP, Savannah House, 3 Ocean Village, Ocean Way, Southampton, SO14 3TJ*  
*T: +44 (0) 2380 330077, [www.pwc.co.uk](http://www.pwc.co.uk)*

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# 1. Introduction

## *The purpose of this document*

This letter provides the Council of Governors of Dorset HealthCare University NHS Foundation Trust (the “Trust”) with a high level summary of the results of our audit for the year ended 31 March 2018, in a form that is accessible for you and other interested stakeholders.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2018;
- report to those charged with governance (ISA (UK) 260);
- limited assurance opinion on the Trust’s Quality Report for the year ended 31 March 2018; and
- the ‘Governors Report’ (long form report) setting out the findings arising from our work on the Quality Report for the year ended 31 March 2018.

## *Scope of work*

We performed our audit in accordance with the International Standards on Auditing (UK) (“ISAs UK”) and the Comptroller and Auditor General’s Code of Audit Practice (“the Code”), which was issued in April 2015. Our reports and audit letters are prepared in accordance with the ISAs (UK) and the Code and all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the NHS Act 2006.

The Board of Directors is responsible for preparing and publishing the Trust’s financial statements, including the Annual Governance Statement. The Board of Directors is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust’s resources.

As auditors we need to:

- form an opinion on the financial statements;
- review the Trust’s Annual Governance Statement;
- form a conclusion on the arrangements in place to secure economy, efficiency and effectiveness in the use of the Trust’s resources; and
- perform procedures on the Trust’s Quality Report, including:
  - provide an opinion on the content of the Trust’s Quality Report and the consistency of the document with a number of information sources specified by NHS Improvement;
  - provide an opinion on two performance indicators included within the Trust’s Quality Report, as specified by NHS Improvement; and
  - provide a summary of findings arising from our work on one performance indicator selected by the Governors.

We carried out our audit work in line with our 2017/18 Audit Plan that we issued in January 2018.

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## *2. Audit findings*

### *Financial statements*

We completed our audit work over the financial statements during May 2018 and issued an unqualified audit opinion on the financial statements on 25 May 2018.

We have identified one immaterial misstatement for reporting to the Audit Committee as part of our audit, and this is set out in Appendix 1 of this report.

### *Value for Money*

Under the Code of Audit Practice, we must satisfy ourselves, by examination of the financial statements and otherwise, that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of the Foundation Trust's resources. As part of our audit we are required to conclude on whether the Trust had in place, for the year ended 31 March 2018, proper arrangements to secure economy, efficiency and effectiveness in its use resources.

We issued an unmodified conclusion on 25 May 2018 in respect of Value for Money.

We are also required to disclose, either in our auditor's report on the financial statements or in this letter, 'enhanced auditor reporting' information about the scope of our work relating to the Value for Money work that we perform. This is included in Appendix 2.

### *Annual Governance Statement*

The aim of the Annual Governance Statement ("AGS") is to give a sense of how successfully the Foundation Trust has coped with the challenges it faced, drawing on evidence on governance, risk management and controls. We reviewed the AGS and considered whether it complied with relevant guidance and whether it was misleading or inconsistent with what we know about the Foundation Trust.

We found no areas of concern to report in this context.

## Quality Report

We were required by NHS Improvement to review the content of the 2017/18 Quality Report, test three performance indicators and produce two reports:

1. **Limited assurance report:** This report is a formal document that requires us to conclude whether anything has come to our attention that would lead us to believe that:
  - The Quality Report does not incorporate the matters required to be reported on as specified in the FT ARM and the “Detailed requirements for quality reports for foundation trusts 2017/18”;
  - The Quality Report is not consistent in all material aspects with source documents specified by NHS Improvement; and
  - The specified indicators have not been prepared in all material respects in accordance with the criteria set out in the FT ARM and the “Detailed requirements for external assurance for quality reports for foundation trusts 2017/18”.

As a result of our work we issued an unqualified opinion.

2. **Governors report:** A private report on the outcome of our work that is made available to the Trust’s Governors and to NHS Improvement. This includes the findings in respect of the two mandated indicators we tested; the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period; and early intervention in psychosis (EIP): people experiencing a first episode of psychosis treated with a NICE-approved care package within two weeks of referral. It also included findings in respect of the local indicator as selected by the governors.

We identified no significant recommendations as a result of our testing over the quality report indicators.

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# *Appendices*

## Appendix 1: Summary of uncorrected misstatements

We found the following misstatements during the audit that have not been corrected by management. Both management and the Audit Committee were satisfied that these misstatements remained uncorrected as they did not have a material impact on the financial statements.

No	Description of misstatement	Income statement		Balance sheet		Cash flow	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	F = factual, J = judgemental, P = projected						
1	Dr Accruals Cr Expenditure Being an adjustment to expenditure for the accrual of an invoice that the Trust had paid.	P	- -	- 627	627 -	- -	- -
	Note, the error identified as part of our sample testing was in relation to one invoice for a value of £6k. The £627k adjustment is the extrapolation of this error across the entire operating expenses balance and represents the total potential error. As this is a projected error it is not expected that the Trust would adjust its accounts.						
	Total uncorrected misstatements		-	627	-	-	-
	Net impact on the income statement of uncorrected items		-	627	-	-	-

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## *Appendix 2: ‘Enhanced auditor reporting’ relating to our work on ‘Value for Money’*

We are required to provide ‘Enhanced auditor reporting’ in relation to the work supporting our conclusion on whether the Trust had in place, for the year ended 31 March 2018, proper arrangements to secure economy, efficiency and effectiveness in its use of resources. As permitted by Application Guidance Note 7 ‘Auditor reporting’, issued by the NAO on 21 December 2017, we have elected to include this reporting in this letter.

### *The scope of our audit*

The scope of our work is determined by the requirements outlined in Application Guidance Note 3 ‘Auditor’s work on Value for Money (VFM) arrangements’ (AGN 03) issued by the NAO on 9 November 2015

As part of designing our work on VFM, we considered materiality and assessed the risks of the Foundation Trust not having put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

AGN 03 requirements us to use the following evaluation criterion to form our opinion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

In order to help us consider this overall evaluation criterion, the NAO have outlined the following sub-criteria which are intended to guide our work and reach an overall judgement;

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

These criteria are not separate and we are not required to reach a distinct judgement against each one.

### *Key audit matters*

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in forming the conclusion on whether the Trust had in place proper arrangements to secure economy, efficiency and effectiveness in its use resources and include the most significant assessed risks of failing to put in place proper arrangements identified by the auditors, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in our work; and
- and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our work on arrangements to secure value for money as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks we identified.

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### ***Key audit matter***

#### **Value for Money Conclusion**

The Trust is required to make proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The overall CQC rating for the Trust at the commencement of the financial year was “requires improvement”. This was the result of the CQC follow up inspection during March 2016, in which it was concluded that the Trust had made improvements since the previous inspection. However, some of the actions for some of the services had not yet been completed.

During November and December 2017 a full CQC inspection of the Trust was undertaken, with the result being that the Trust was rated as “good”.

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### ***How our audit addressed the Key audit matter***

In coming to our conclusion on the Trust’s use of resources, we obtained and considered the following documents and evidence:

- The CQC inspection report published in April 2018 along with other reports that have been published during the year by the CQC.
- The Trust’s progress against the action plans from both the full June 2015 CQC inspection and the follow up inspection in March 2016. We read the action plans presented to the Board throughout the year to identify how the Trust had progressed with closing the actions.. We also read Board papers reporting progress on the action plans presented to the executive team.
- The results of relevant internal audit reviews.
- We considered financial performance and financial sustainability of the Trust by reviewing the 2017/18 outturn, achievement of cost improvement targets, agency spend and future budgets.
- We considered the operational performance of the Trust during the year by reviewing integrated performance dashboards.
- We read the Trust’s Annual Governance Statement (AGS) and Quality Report, determining that appropriate disclosures regarding Value for Money have been made and that these disclosures were consistent with our work.

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### ***How we tailored the scope of our work***

We tailored the scope of our work to ensure that we performed enough work to be able to report on whether the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its Use of Resources.



In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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