



# Auditor's Annual Report 2020/21

**Dorset County Hospital NHS Foundation  
Trust**

4 June 2021

Key contacts

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This report is addressed to the Risk and Audit Committee of the Trust and has been prepared for the sole use of 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.

# Summary

## Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2020-21 audit of Dorset County Hospital NHS Foundation 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.

## 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 unqualified opinion on the Trust's accounts on 4 June 2021. 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 4.</p>
<b>Annual report</b>	<p>We did not identify any significant inconsistencies 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 DHSC 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 nothing to report in this regard.</p>
<b>Other reporting</b>	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

# Accounts audit

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

Risk	Findings
<p><b>Valuation of land and buildings</b></p> <p>Land and buildings are required to be held at fair value. As hospital 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>The Trust engaged a valuer to undertake an indexation review for the year ended 31 March 2021. The assessment of the fair value of the assets is a key estimate in the financial statements.</p>	<p>We did not identify any material misstatements or raise any recommendations relating to this risk.</p> <p>We considered the estimate to be balanced, based on the procedures performed to challenge key assumptions within the valuation, including the use of relevant indices.</p>
<p><b>Fraud risk from expenditure recognition</b></p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from expenditure recognition is a significant risk. We considered this is most likely to occur through manipulating accruals at the end of the year to bring forward expenditure which should be deferred to the following year.</p>	<p>We did not identify any material misstatements or raise any recommendations relating to this risk.</p> <p>We identified one audit difference that was below materiality and remained unadjusted within the financial statements</p>
<p><b>Fraud risk from revenue recognition</b></p> <p>Auditing standards set a rebuttable assumption that there is a risk revenue is recognised inappropriately.</p> <p>We recognised this risk over the variable elements of income that the Trust has received during the year.</p>	<p>We did not identify any material misstatements or raise any recommendations relating to this risk.</p>
<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>We did not identify any material misstatements or raise any recommendations relating to this risk.</p>

# Value for money

## Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

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.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at [Code of Audit Practice \(nao.org.uk\)](https://nao.org.uk)

## Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

<b>Care Quality Commission rating</b>	Good – November 2018
<b>Single Oversight Framework rating</b>	2 - Targeted support: support needs identified in Quality of care, Finance & use of resources and Operational performance – April 2021
<b>Governance statement</b>	There were no significant control deficiencies identified in the governance statement.
<b>Head of Internal Audit opinion</b>	Unqualified

## Commentary on arrangements

We have set out on the following pages commentary how the arrangements in place at the Trust compared to the expected systems that would be in place in the sector.

## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
<b>Financial sustainability</b>	One significant risk identified	No significant weaknesses identified
<b>Governance</b>	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness</b>	No significant risks identified	No significant weaknesses identified

We have not identified any significant weaknesses with regards to the Trust's arrangements for ensuring value for money. We reported this as part of our audit report and have provided further details in our commentary on pages 6 to 8.

We have not identified any recommendations based upon our risk assessment or work completed in response to the identified risk. We have provided management with performance improvement observations based upon our risk assessment for future consideration.

# Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> <li>How the Trust sets its financial plans to ensure services can continue to be delivered;</li> <li>How financial performance is monitored and actions identified where it is behind plan; and</li> <li>How financial risks are identified and actions to manage risks implemented.</li> </ul>	<p>The Covid-19 pandemic has had a major impact on the NHS and this has resulted in changes to the financial planning regime. On 17 March 2020 normal contractual arrangements with NHS providers were suspended and the NHS moved to block contract payments on account. The value of these were determined centrally, rather than being agreed between the CCG and the providers. NHS organisations were also reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19. The Trust did not have to submit a formal plan to NHSE/I for this period.</p> <p>For months 7-12 of NHSE/I provided allocations for each CCG, with further funding made available to cover additional cost pressures due to Covid-19 and the provision of services. Following the changes, the Trust presented a Financial Plan with a deficit of £11.6m in October 2020, whilst there was a system wide financial plan for the second half of 2020-21 which forecast a deficit of £21.5m. Whilst the financial position of the Trust and system improved during the year to a break even position by March 2021, the ICS continues to report an underlying deficit. This position is reported to the Trust Board at regular intervals, demonstrating the arrangements in place.</p> <p>We found that the Trust has an appropriate reporting framework in place. The financial performance of the Trust is reported each month to the Finance and Performance Committee with identification of risks within the position. There was evidence of discussion and challenge by the Committee. Reporting has been reduced to the Board during Covid-19 but an escalation report is produced which includes any key aspects that the Finance and Performance Committee want to be brought to the Board's attention. This is presented by the Finance and Performance Committee Chair.</p> <p>Reducing the deficit across the ICS continues to be a key priority within the system that in turn impacts the Trust. We identified one significant risk in relation to the processes for ensuring financial sustainability.</p> <p>In response to this, we considered the arrangements in place to align the Trust financial plan with the ICS financial plan. The Chief Financial Officer was involved in the planning process and approved the Trust's element of the system plan on 5 May 2021. We found evidence of collaborative working between the Trust and other providers through review of system meetings and ongoing work to develop a financial strategy to mitigate the underlying system deficit in the medium to long term. The Trust has followed the planning guidance by working within the ICS and has included efficiency targets which were identified at 0.5% of the six month forecast income.</p> <p>We noted that the ICS have provided a clear summary of the key challenges underpinning the plan for H1, including areas where the system plan would not deliver in a letter to NHS England - South West, and a number of programmes that were being implemented across the system to respond to these challenges, demonstrating the system has begun to respond to the identified challenges.</p> <p>Through considering these arrangements, we have not identified a significant weakness linked to the identified risk.</p>

# Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations; and</li> <li>How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<p>We consider the Trust to have effective processes in place to monitor and assess risk. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are reported to the Board. The Board Assurance Framework is reviewed by the Risk and Audit Committee on a quarterly basis and at least bi-annually by the Board.</p> <p>The effectiveness of internal controls is monitored by the Risk and Audit Committee, through reporting from Internal Audit, Local Counter Fraud and Security Management. The programme of work for each organisation is approved at the start of the financial year by the Risk and Audit Committee, following input by the Lead Director.</p> <p>Any recommendations raised by Internal Audit or the Local Counter Fraud are reported to the Risk and Audit Committee. Our review of the Risk and Audit Committee papers confirmed that there was appropriate discussion and follow up of recommendations for both Internal Audit and Local Counter Fraud.</p> <p>The Trust has a set of policies, which clearly outline the expected behaviour of staff members in relation to areas such as Gifts and Hospitality, Whistleblowing Policy and Managing Conflicts of Interest. All policies have been approved in line with their review requirements. These policies continued to apply throughout the period.</p> <p>We found there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the Finance and Performance Committee. We also found appropriate processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid-19. Monthly submissions are made to NHS England through the PFR which is approved by the Chief Financial Officer.</p> <p>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. Key decisions are made through management and escalation process for such matters at divisional operational, executive management and Board level.</p> <p>Over the course of the next two financial years the Trust are undergoing two significant capital projects, with the construction of the multi-story car park and the re-design and extension of the emergency department. The Business Case for these projects have been appropriately reviewed and approved by the Board. The Finance and Performance Committee are provided with regular updates as to the progress with further reporting provided to the Board for further assurance.</p>

# Value for money

## Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>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.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> <li>▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered;</li> <li>▪ The use of benchmarking information to identify areas where services could be delivered more effectively;</li> <li>▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and</li> <li>▪ Management of partners and subcontractors.</li> </ul>	<p>From the 17 March 2020 QIPP/CIP programmes were put on hold in accordance with national guidance. This was to allow CCGs and providers to respond to the pandemic. It was therefore not possible for the Trust to implement and deliver the identified savings plans for the majority of areas; NHSE/I did not require the Trust to report on the delivery of efficiency schemes for months 1-6. Historically, all schemes over £25k required a Quality Impact Assessment, which is reviewed and approved by the Medical Director and Chief Nursing Officer.</p> <p>A monthly paper is presented to the Trust's Finance and Performance Committee in order to report on financial performance, allowing the Trust to assess the level of value for money being achieved. Management also maintains and monitors costs by reviewing the information received from the Model Hospital. The benchmarking data is used during the financial planning and contracting rounds to shape efficiency plans.</p> <p>The Trust has a performance management framework in place to set the structure of performance management. This details the format of reporting and outlines roles and responsibilities at each level. The main element of performance reporting is the integrated performance report which provides the Finance and Performance Committee, and subsequently the Board, with key operational performance indicators on a monthly basis. This report highlights performance in different domains in line with the Trust's strategy and highlights key areas for improvement within each domain. For these areas further information is provided, such as trends, to help inform the Finance and Performance Committee and provide the full context. Escalation reports for key areas are presented to the Board.</p> <p>The Trust forms part of 'Our Dorset' ICS. Members of the Board and leadership team are integrated within the governance of the system. This includes Finance Director and Chief Operating Officer involvement in system decisions through the Operations and Finance Reference Group and Chief Executive Involvement in the system Senior Leadership Team. This ensures the Trust is integrated into key system decisions and feeds back to the Trust via relevant Board, Committee and operational/clinical meetings.</p> <p>The Trust CEO and Chair provide updates within their reports to Board with the ICS financial performance also being considered in the finance reports. It was identified that the reports are also shared for information with senior stakeholders within the Trust to ensure monitoring, scrutiny and reporting at all levels in the organisation. Working within an ICS, the interaction between providers and other stakeholders is essential to ensure the appropriate operational and clinical flow across the system. System working is embedded as business as usual to enact the appropriate actions and change. This is underpinned by the Dorset Health System Collaborative Agreement, which in its agreement principles, states that all providers agree to work within the aggregate of organisational control totals.</p>





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