

North Wales NHS Trust

Foreword

These accounts for the period ended 30 September 2009 have been revised to comply with IFRS by the North Wales NHS Trust under schedule 9 section 178 Para 3 (1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers, with the approval of the Treasury, directed.

INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	30 September	
	2009	2008-09
	£000	£000
Revenue from patient care activities	310,992	450,351
Other operating revenue	14,152	73,469
Operating expenses	323,694	511,245
Operating surplus/(deficit)	<u>1,450</u>	<u>12,575</u>
Investment revenue	57	1,507
Other gains and losses	0	(66)
Finance costs	(680)	(1,337)
Surplus/(deficit) for the financial year	<u>827</u>	<u>12,679</u>
Dividends payable on Public Dividend Capital	<u>(5,835)</u>	<u>(10,974)</u>
Retained surplus/(deficit) for the year	<u>(5,008)</u>	<u>1,705</u>

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

	30 September 2009 £000	31 March 2009 £000	1 April 2008 £000
Non-current assets			
Property, plant and equipment	321,429	352,457	322,680
Intangible assets	1,742	1,986	1,200
Trade and other receivables	15,396	12,876	15,909
Other financial assets	0	0	0
Other assets	137,630	108,363	102,099
Total non-current assets	476,197	475,682	441,888
Current assets			
Inventories	6,292	6,025	5,233
Trade and other receivables	64,710	26,425	25,270
Other financial assets	0	0	4,000
Other current assets	172,069	163,858	155,850
Cash and cash equivalents	8,681	7,527	10,855
	251,752	203,835	201,208
Non-current assets held for sale	450	382	0
Total current assets	252,202	204,217	201,208
Total assets	728,399	679,899	643,096
Current liabilities			
Trade and other payables	62,582	49,925	40,761
Borrowings	89	92	2,922
Other financial liabilities	0	0	72
Provisions	165,468	164,529	170,547
Other liabilities	17	15	13
Net current assets/(liabilities)	24,046	(10,344)	(13,107)
Total assets less current liabilities	500,243	465,338	428,781
Non-current liabilities			
Trade and other payables	61,108	58,253	51,799
Borrowings	1,557	0	1,861
Other financial liabilities	0	0	0
Provisions	98,927	64,853	67,898
Other liabilities	0	0	0
Total assets employed	338,651	342,232	307,223
Financed by:			
Taxpayers' equity			
Public dividend capital	330,798	330,798	300,424
Retained earnings	(6,859)	(1,851)	(3,675)
Revaluation reserve	7,949	5,581	2,806
Donated asset reserve	6,763	7,704	7,668
Government grant reserve	0	0	0
Other reserves	0	0	0
Total taxpayers' equity	338,651	342,232	307,223

The financial statements on pages [1 to 4] were approved on behalf of the Board on and signed on its behalf by:

Chief Executive

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government Grant Reserve £000	Other reserves £000	Total £000
Balance at 31 March 2009							
As previously stated	330,798	(1,851)	5,581	7,704	0	0	342,232
Prior Period Adjustment	0	0	0	0	0	0	0
Restated balance	330,798	(1,851)	5,581	7,704	0	0	342,232
Changes in taxpayers' equity for 2009							
Net gain/(loss) on revaluation of property, plant and equipment		0	2,368	(646)	0	0	1,722
Net gain/(loss) on revaluation of intangible assets		0	0	0	0	0	0
Net gain/(loss) on revaluation of available for sale financial assets		0	0	0	0	0	0
Receipt of donated/government granted assets		0	0	394	0	0	394
Release of reserves to the income statement		0	0	(689)	0	0	(689)
Movements on other reserves (specify)		0	0	0	0	0	0
Transfers between reserves		0	0	0	0	0	0
Retained surplus/(deficit) for the year		(5,008)	0	0	0	0	(5,008)
Reserves eliminated on dissolution		0	0	0	0	0	0
New Public Dividend Capital received	0						0
Public Dividend Capital repaid in year	0						0
Public Dividend Capital written off	0						0
Other movements in PDC in year	0						0
Balance at 30 September 2009	330,798	(6,859)	7,949	6,763	0	0	338,651

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2009

	6 months to 30 September 2009 £000	2008-09 £000
Cash flows from operating activities		
Operating surplus/(deficit)	1,450	12,521
Depreciation and amortisation	9,060	19,507
Impairments and reversals	35,277	1,371
Net foreign exchange (gain)/loss	0	0
Transfer from donated asset reserve	(689)	(1,324)
Transfer from government grant reserve	0	0
Interest paid	(35)	(46)
Dividend paid	0	0
(Increase)/decrease in inventories	(267)	(792)
(Increase)/decrease in trade and other receivables	(78,719)	(27,068)
(Increase)/decrease in other current assets	(2,817)	0
Increase/(decrease) in trade and other payables	21,697	12,999
Increase/(decrease) in provisions	41,181	(2,420)
Net cash inflow/(outflow) from operating activities	26,138	14,748
Cash flows from investing activities		
Interest received	56	1,625
(Payments) for property, plant and equipment	(18,634)	(41,833)
Proceeds from disposal of property, plant and equipment		997
(Payments) for intangible assets		(118)
Proceeds from disposal of intangible assets		0
(Payments) for other investments with WAG	(6,181)	(10,898)
(Payments) for other investments		(132,000)
Proceeds from disposal of other investments with WAG		0
Proceeds from disposal of other investments		136,000
Net cash inflow/(outflow) from investing activities	(24,759)	(46,227)
Net cash inflow/(outflow) before financing	1,379	(31,479)
Cash flows from financing activities		
Public Dividend Capital received		29,617
Public Dividend Capital repaid		(1,584)
Loans received from WAG	4,000	2,341
Other loans received		0
Loans repaid to WAG	(4,000)	(2,825)
Other loans repaid		0
Other capital receipts		741
Capital elements of finance leases and on-balance sheet PFI	(225)	(139)
Cash transferred (to)/from other NHS bodies	0	0
Net cash inflow/(outflow) from financing activities	(225)	28,151
Net increase/(decrease) in cash and cash equivalents	1,154	(3,328)
Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year	7,527	10,855
Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year	8,681	7,527

Accounting policies

1. The Welsh Minister for Health and Social Services has directed that the financial statements of NHS Trusts in Wales shall meet the accounting requirements of the NHS Trust Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2009/10 NHS Trusts Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Pooled budgets

The trust has no pooled budgets.

1.4 Revenue

The main source of revenue for the Trust is from Local Health Boards, which are Welsh Assembly Government-funded commissioners of NHS health and patient care. Revenue is recognised in the period in which services are provided.

Where income is received from Non NHS bodies for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

1.5 Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme, the scheme assets and liabilities attributable to those employees can be identified and are recognised in the Trust's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the period is recognised within operating expenses. The expected gain during the period from scheme assets is recognised within finance income. The interest cost for the period arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses for the period are recognised in the pensions reserve and reported as an item of other comprehensive income.

1.6 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.7 Property, plant and equipment

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had

broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the trust's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. Fair values are determined as follows:

- Land and non specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. The Welsh Assembly Government has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales Trusts have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

For 2009-10 no indexation is applied to the Land and Properties of NHS Wales Trusts because they have been subject to a MEA revaluation exercise. The equipment of NHS Wales Trusts is subject to indexation. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.8 Intangible assets

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.9 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period

over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.10 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.11 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

1.12 Government grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the offset the expenditure.

1.13 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Income Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.14 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The Trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.15 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Income Statement.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Income Statement.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust's Statement of Financial Position.

Other assets contributed by the Trust to the operator

Assets contributed (e.g. cash payments, surplus property) by the trust to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value using the [first-in first-out/weighted average] cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.17 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.19 Clinical Negligence Costs

The Welsh Risk Pool operates a risk pooling scheme which is currently funded by the Welsh Assembly Government. The WRP is hosted by North Wales NHS Trust.

1.20 EU Emissions Trading Scheme

The Trust is not a member of the EU Emission Trading Scheme.

1.21 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.22 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trust's surplus or deficit for the accounting period. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

1.22 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trust's surplus or deficit for the accounting period. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

1.25 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 30 September. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them.

1.27 Public Dividend Capital (PDC) and PDC dividend

Public Dividend Capital represents taxpayers equity in the NHS Trust. At any time the Welsh Minister for Health and Social Services with the approval of HM Treasury can issue new PDC to, and require repayments of, PDC from the NHS Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

A charge, reflecting the cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General and the National Loans fund. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.28 Losses and Special Payments

Losses and special payments are items that the Welsh Assembly Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the income statement on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which is prepared on a cash basis.

The Trust accounts for all losses and special payments gross (including assistance from the Welsh Risk Pool). The Trust accrues or provides for the best estimate of its future payouts for certain or probable liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the Welsh Risk Pool are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.29 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.30 Key sources of estimation uncertainty

The Trust does not consider that there are any estimation uncertainties at 30th September 2009 where there is significant risk of causing any material adjustments to the carrying amount of assets and liabilities within the next financial year.

1.31 Welsh Risk Pool

The Welsh Risk Pool was established to assist health bodies in Wales with risk management and settlement of claims with the North Wales NHS Trust responsible for the administration of the scheme. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities, with the exception of business interruption, private finance, motor insurance and income generation and members carry a £25,000 excess.

The Pool is operated by the Trust and managed by a Management Group comprising representatives from NHS Trusts, Local Health Boards and the National Assembly. Contributions are currently reviewed annually and calculated to produce a fund sufficient to cover anticipated payments during the financial year. If the fund is insufficient to meet all the claims against the Pool in year then all members are required to pay an additional premium. The North Wales NHS Trust's liability is limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the pool and is underwritten by the National Assembly for Wales.

The accounts of the Welsh Risk Pool are based on audited figures which are included in the final accounts of individual health bodies at 30 September 2009. The figures included within the accounts of individual health bodies are compiled in accordance with IAS 37 which recognises all claims with a probability of settlement which is greater than 50%. These potential liabilities are reflected in the Welsh Risk Pool Accounts. The potential liabilities of the Welsh Risk Pool are offset in the accounts by available cash and other debtors but the resultant liability is mitigated by the creation of a National Assembly Debtor.

IAS 37 requires that where the time value of money is material, the amount of a provision should be adjusted to the present value of the expenditure required to settle the obligation.

The provision figure in the Welsh Risk Pool accounts represents the reimbursement due to individual NHS Trusts in respect of medical negligence claims and is compiled on the basis of audited information contained in those individual NHS trust accounts. The trusts' accounts are compiled on the basis of IAS 37, and their audits have not identified any instances of individual clinical negligence cases which would require discounting on the grounds of the materiality of the time value of money.

The 'debtor led' concept set out in the National Assembly for Wales' Manual for Accounts requires the Risk Pool to establish provisions that match the debtor balances established by individual trusts in respect of the trust's assessment of the amounts due from the Welsh Risk Pool. The Assembly requires such an approach in order to ensure that the Welsh Risk Pool accounts are consistent with those of individual health bodies and in order to facilitate the consolidation of all-Wales NHS accounts by the Assembly.

2. Events after reporting period

Reconfiguration of the NHS in Wales

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and LHBs to create 6 new LHBs at 1st October 2009.

These six month financial statements from 1st April 2009 to 30th September 2009 are the final financial statements of North Wales NHS Trust. On 1st October 2009 the Trust merged with North West Wales NHS Trust and the six Local Health Boards in North Wales (Wrexham, Flintshire, Ynys Mon, Gwynedd, Conwy and Denbighshire) to form the Betsi Cadwaladr University Local Health Board. All of the assets and liabilities of the Trust transferred to the new LHB at that date and all operations are continuing.

3. Segmental reporting

The following information segments the results of the Trust by:

- the Welsh Risk Pool; and
- healthcare activities.

	Welsh Risk Pool		Healthcare activities		Total	
	£000		£000		£000	
	PE 30/09/09	2008-09	PE 30/09/09	2008-09	PE 30/09/09	2008-09
Segment income	53,195	47,804	275,016	482,718	325,144	523,820
Costs directly attributable to the segment	(52,559)	(47,113)	(274,202)	(470,888)	(323,694)	(511,245)
Surplus/deficit	636	691	814	11,830	1,450	12,575

This note includes inter-segment trading which amounted to £3,067k (2008/09 £6,702k). This is "netted-off" from the consolidated position shown in the main Income Statement.

The accounts of the healthcare activities of the Trust are on pages 1 to 59 of the Healthcare Accounts and the accounts of the Welsh Risk Pool are on pages 1 to 13 of the Welsh Risk Pool Accounts.

4. Public Sector Payment Policy - Measure of Compliance

4.1 Prompt payment code - measure of compliance

The Assembly requires that Trusts pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Assembly has set as part of the Trust financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery or receipt of a valid invoice, whichever is the later.

	Number	£000
NHS		
Total bills paid to 30 September 2009	1,675	8,867
Total bills paid within target	1,542	8,182
Percentage of bills paid within target	92.1%	92.3%
Non-NHS		
Total bills paid to 30 September 2009	70,708	64,344
Total bills paid within target	68,460	62,687
Percentage of bills paid within target	96.8%	97.4%
Total		
Total bills paid to 30 September 2009	72,383	73,211
Total bills paid within target	70,002	70,869
Percentage of bills paid within target	96.7%	96.8%

4.2 The Late Payment of Commercial Debts (Interest) Act 1998

	£
Amounts included within finance costs from claims made under this legislation	0
Compensation paid to cover debt recovery costs under this legislation	0
Total	0

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES
AS ACCOUNTABLE OFFICER OF THE TRUST**

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Welsh Assembly Government.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Date: 2010 Chief Executive

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE ACCOUNTS**

The directors are required under the National Health Service (Wales) Act 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Welsh Ministers with the approval of the Treasury;
- make judgements and estimates which are responsible and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

By Order of the Board

Signed:

Date:2010

Chairman:

Date:2010

Chief Executive:

Date:2010

Director of Finance:

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have the responsibility for maintaining a sound system of internal control that supports achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and this organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

I have ensured that the organisation has put in place appropriate accountable measures to enable me to exercise my responsibilities as Accountable Officer. I have given particular attention to working with the Regional Office and Local Health Boards on performance improvement whilst ensuring that the organisation works closely with partner organisations such as local authorities and the voluntary sector, to discuss and address health inequalities and promote community engagement. The Trust is also acting as host organisation for the Business Support Partnership and I have ensured that governance arrangements are in place to discharge the requirements of that role.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the period ended 30 September 2009 and up to the date of approval of the accounts to 30 September 2009, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Risk Management Policy and Strategy has been developed and is reviewed annually to ensure that all services provided and managed by the Trust are efficient, safe and reliable. It also provides a framework for the development of a robust management process throughout the Trust.

I have delegated responsibilities for risk management to the Executive Director for Nursing and Patient Services. In embedding the risk management process as an integral part of the business of the organisation, a committee structure has been established to assist the Board to discharge its responsibilities.

The risk management committee meets monthly to assist the Board. The committee is chaired by the Executive Nurse and is charged with developing, implementing and monitoring the risk management strategy and policy. Its role is strategic and advisory. The membership consists of: -

- Executive Director of Nursing and Patient Safety
- Non- Executive Director
- Director of Finance - Financial Risk
- Director of Human Resources
- Medical Director – Clinical Risk
- Head of Safety & Standards
- Litigation Manager
- Risk Manager
- Internal Audit Representative
- Joint Staff Committee member
- Pharmacy Lead

Reporting Relationship

- To the Safety & Standards Committee for scrutiny
- To the Executive / Trust Management for action

The Risk Management Strategy sets out the responsibilities of all employees in relation to risk management. In particular, delegated responsibilities for leadership from the Chief Executive, Executive Officers, Non-Executives and senior managers at the operational level is explicit. A cyclical training programme for all staff is provided on risk management, incident reporting and developing risk profiles and registers through risk assessment. This ensures that all staff are aware of their responsibilities and feedback mechanisms within the organisation once incidents have occurred or a hazard has been identified. The communication of this information throughout the organisation is by specific "alerts" e.g. Clinical, Health & Safety, Manual Handling or Medical Devices. The Trust also shares these alerts with other trusts in Wales to highlight the lessons learnt, and with other external organisations such as Local Health Boards and the NPSA.

Two Executive Directors (the Executive Director of Nursing and Patient Safety and the Medical Director) have been delegated the responsibility for risk management.

The Risk Management Committee embraces the Assurance Framework and monitors and controls the implementation of the Risk Management Strategy, and all other risk management assurance groups and committees including all controls assurance standards. Its focus is on the continuing development of an integrated clinical and non - clinical risk management system.

The organisation has adopted an approach whereby the principal risks that could potentially threaten the achievement of the organisation's primary objectives have been systematically identified. This approach utilises the 'divisional' risk registers, to provide an 'aggregated' register for top clinical and operational risks. The top clinical and operational risks will underpin a corporate assurance framework. All of the resulting risks have been classified into an overall classification system to identify the risk priorities.

The identification and continuous review of potential risks that threaten the achievement of the organisation's primary objectives is a standing agenda item for all divisions within the Trust. Controls in place are critically evaluated to mitigate risk and to ensure that the systems are in place and working effectively.

4. The risk and control framework

The risk management framework is set out in the Risk Management Strategy that was reviewed during the year and approved by the Board. The key elements of the risk and assurance framework are:-

Recognition and identification of risk at all levels of the organisation which is communicated by means of an incident reporting system and safe haven reporting system that is accessible to all staff.
Feedback to staff and circulation of clinical alerts

An effective hierarchical reporting system that allows the clinical risk group, the operational risk group, the risk management committee and executive committee to escalate and review all identified risks and monitor the system required to manage the risk.

Effective communication of the roles and responsibilities of staff in relation to risk, through the committee structure of the organisation.

Mission Statement that identifies the support for employees in providing services that are safe for patients and recognises that Risk Management is everyone's business.

Strategic Objectives

Philosophy

Designated responsibilities

Risk Management Processes that includes the identification, evaluation, analysis, risk control, review and follow up through the reporting relationships for action and scrutiny identified and outlined in section 3.

Training arrangements

Dissemination to key stakeholders

Further reading and relevant policies

Risk Management Objectives

Accountability arrangements

Principal Committees for managing risks, including summarised Terms of Reference

Controls Assurance Standards Leads and Standard leads for all the other Welsh Risk Management Standards.

An established process of risk assessment that informs local risk registers and ultimately a corporate risks register.

Annual risk management, infection control and health and safety report to the Trust Board

Welsh Risk Pool and Healthcare Standards in Wales self assessment and compliance against the standards

BSP Stakeholder Board for managing risks and performance issues, including summarised Terms of reference

Annual internal audit review on the healthcare standards in Wales

Annual Audit by the Wales Audit Office

Assurance provided from Internal Audit Work undertaken at the BSP

Opinion of Director of Internal Audit

In accordance with the Internal Audit Standards for the NHS in Wales, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance,

The purpose of the annual Head of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control. This Opinion will in turn assist the Board in the completion of its Statement on Internal Control, and may also be taken into account by Healthcare Inspectorate Wales in relation to the Healthcare Standards

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

My overall opinion is that, Significant Assurance, can be given in that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls put the achievement of particular objective at risk.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee (and Risk Committee, if appropriate) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is set out below:

The Director of Internal Audit's Opinion provides me with an opinion on the overall arrangements for gaining assurance through the risk framework and on the controls reviewed as part of the internal audit work.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

The assurance framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by receiving the minutes of the key functions for promoting risk management, for example Audit Committee, The Clinical Governance Committee and the Risk Management Committee.

The Audit Committee, as part of an integrated committee structure, was pivotal in advising the Board on the effectiveness of the system of internal control.

The Clinical Governance Committee supported the development of services by ensuring continuous quality improvement, safeguarding high standards of care and creating an environment in which excellence in clinical care will flourish.

The Risk Management Committee provided the Board with the overall assurance on the effectiveness of the risk framework and continually monitors, reviews and prioritises the Risk Management Programme.

Additional reports are also received by the Risk Management Committee on, or from the following;

- Healthcare Inspectorate Wales
- Healthcare Standards Wales
- Welsh Risk Management Standards assessment report, action plans and reports
- The Health and Safety Executives (HSE) visits and reports
- Commission For Health Improvement (CHI)
- Scheduled reports to the Board
- Wales Audit Office

I am also supported by the Board's role, which is to provide active leadership of the Trust within a framework of prudent and effective controls that enable risk to be assessed and managed.

The Internal Audit annual plan is agreed by the Director of Finance and encompasses the priorities set out in the Assurance Framework. The Director of Finance and Audit Manager meet throughout the year to review and monitor the annual plan. A separate Internal Audit Plan is in place for the BSP Detailed reports on areas of work covered are provided to the Director of Finance and to the relevant Manager. These reports and agreed action plans are also subject to Audit Committee review.

The Wales Audit Office provides a further assurance mechanism in particular through its review of the Annual Accounts.

The Assurance Framework and Risk Management are an integral part of everyone's job and are seen as a valuable aid to achieving the objectives of the Trust.

It is by nature an interactive process and the key elements of building the Framework will remain under continuous scrutiny from the Board level down to all operational levels throughout the Trust.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

6. Significant internal control problems

Electronic Staff Record

In common with other NHS organisations, the Trust has encountered problems in the first six months of 2009/10 with the Trust's 'Electronic Staff Record' (ESR) payroll system. The main problems were as follows:-

- (i) A number of "overpayments" were identified on the ESR system, central documentation has not always been presented in a timely and consistent manner.
- (ii) There have been problems and delays in the generation of the general ledger interface file.
- (iii) There has been some incorrect reporting of statistical Whole Time Equivalent data.

Despite these problems, audit work undertaken by Internal Audit and the Auditor General for Wales on the ESR system, does not indicate that any material errors have occurred as a result. In addition, to mitigate the control weaknesses and associated risks, the Trust has undertaken additional internal monitoring of payroll data. The Trust continues to work with the ESR project Team alongside of the other Trusts in Wales to resolve the remaining problems and there has been an improvement during the year.

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the consolidated financial statements of North Wales NHS Trust which incorporate the Trust's Healthcare Accounts and the Welsh Risk Pool Accounts, for the six months ended 30 September 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Taxpayers Equity and the related notes.

These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of Directors, the Chief Executive and the Auditor

The Directors and the Chief Executive are responsible for preparing the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland). I report my opinion to you as to whether the financial statements give a true and fair view and have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, North Wales NHS Trust has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects North Wales NHS Trust's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of North Wales NHS Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinions

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to North Wales NHS Trust's circumstances, and are consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers of the state of the affairs of North Wales NHS Trust as at 30 September 2009 and of its deficit, total recognised gains and losses and cash flows for the six months then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on North Wales NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the six months ended 30 September 2009 will be reported separately in my published Audit Letter for the six month period.

Gillian Body
Auditor General for Wales

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