

Flintshire Local Health Board

FOREWORD

These accounts have been prepared by the Local Health Board under section 98(2) of the National Health Service Act 1977 (as amended) in the form in which the National Assembly for Wales has, with the approval of the Treasury, directed.

Statutory background

The Local Health Board was one of 22 which came into existence on 1st April 2003. As a statutory body governed by Acts of Parliament the LHB is responsible for :

- agreeing the action which is necessary to improve the health and health care of the population of [Flintshire](#);
- supporting and financing General Practitioner-led purchasing of the services needed to meet agreed priorities, including charter standards and guarantees;
- supporting and funding the contractor professions;
- the commissioning of health promotion, emergency planning and other regulatory tasks;
- the stewardship of resources including the financial management and monitoring of performance in critical areas;
- eliciting and responding to the views of local people and organisations and changing and developing services at a pace and in ways that they will accept.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the LHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

The statutory duty for Local Health Boards is enacted in the 2002 NHS Reform and Health Care Professionals Act. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 12. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year.

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Total £000	2004-05 Total £000
Expenditure	4.1,4.2,4.3, 4.4	157,027	146,747
Miscellaneous income	3.1	1,315	2,264
Net operating costs		<u>155,712</u>	<u>144,483</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2006**

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	0	0
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>0</u>	<u>0</u>

BALANCE SHEET AS AT 31 MARCH 2006

	Note	£000	31 March 2005 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	86	8
CURRENT ASSETS			
Debtors	6.1	496	727
Cash at bank and in hand		40	13
Total Current Assets		536	740
Creditors: amounts falling due within one year	6.2	11,177	9,760
Net current assets / (liabilities)		(10,641)	(9,020)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	1,236	1,032
TOTAL NET ASSETS		(11,791)	(10,044)
FINANCED BY:			
General fund	6.5	(11,791)	(10,044)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(11,791)	(10,044)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	2004-05	2004-05
	£000	£000
Net operating costs	(155,712)	(144,483)
Adjust for non-cash transactions	(128)	590
Adjust for movements in working capital other than cash	1,648	1,022
Utilisation of provisions	(22)	(192)
	<hr/>	<hr/>
Net cash outflow from operating activities	(154,214)	(143,063)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	(88)	(8)
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	(88)	(8)
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(154,302)	(143,071)
FINANCING:		
Net Assembly funding (including capital)	154,329	143,010
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	154,329	143,010
	<hr/>	<hr/>
Increase / (decrease) in cash	27	(61)

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2004-05 £000
Depreciation and other write-offs	10	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	226	911
Capital charge interest	(364)	(321)
	<u>(128)</u>	<u>590</u>

Adjust for movements in working capital other than cash

	£000	2004-05 £000
(Increase)/decrease in debtors	231	(553)
Increase/(decrease) in creditors	1,417	1,575
	<u>1,648</u>	<u>1,022</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	27
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	27
Non cash changes in debt	0
Net debt at 1 April 2005	<u>13</u>
Net debt at 31 March 2006	<u>40</u>

Analysis of changes in net debt

	As at 1 April 2005	Cash flows	Other changes	As at 31 March 2006
	£000	£000	£000	£000
Cash at bank and in hand	13	27	0	40
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Total	<u>13</u>	<u>27</u>	<u>0</u>	<u>40</u>

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB'S. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the National Assembly for Wales (the Assembly) and approved by Treasury.

LHB's are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

Acquisitions and Discontinued Operations

Activities are considered to be "acquired" and disclosed as such, only if they are acquired from outside the public sector. Activities are considered to be "discontinued" and disclosed as such, only if they cease entirely or are transferred outside the public sector

1.2 Income and funding

The main source of funding for the LHB is resource allocations from the Assembly within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Assembly Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for by applying the accruals convention. Income is recognised in the period in which services are provided.

1.3 Taxation

The LHB is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Intangible fixed assets

Intangible assets which can be valued, are capable of being used in a LHB's activities for more than one year and have a cost equal to or greater than £5,000 are capitalised;

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.5 Tangible fixed assets

a. Capitalisation

Tangible fixed assets are capitalised if they are capable of being used for a period which exceeds one year and:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial setting - up cost of a new building, irrespective of their individual or collective cost.
- form part of an IT network which collectively has a cost more than £5,000 and individually have a cost of more than £250.

b. Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at costs (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 30 September 2003.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non - specialised operational property.

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

Equipment

Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.

Assets in the course of construction

Assets in the course of construction are valued at current cost using the index as for land and buildings (see above). These assets include any existing land or buildings under the control of a contractor.

c. Depreciation, amortisation and impairments

Depreciation is charged on a straight - line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off - balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the LHB, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Vehicles are depreciated over 7 years.

Intangible assets are amortised over the estimated lives of the assets.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives

1.6 Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part - donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge is released from this reserve each year to the Operating Cost Statement.

1.7 Research and development

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it is separately identifiable development expenditure relating to a clearly defined project and benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the National Assembly to charge employers pension costs contributions to operating expenses as and when they become due.

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the members pension is normally payable to the surviving spouse.

Early payments of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, a less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump for those who die after retirement, is payable.

The scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVC's) provided by an approved panel of life companies. Under the arrangement the LHB can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements are not funded by the scheme, which except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement,

regardless of the method of payment.

1.9 Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2005/06 financial year was 3.5%.

1.11 Provisions

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. Provisions are only recognised where the amount of economic benefit is probable, and the amount of the transfer can reasonably be estimated.

1.12 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The LHB does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.13 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by the LHB, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the OCS over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis.

1.14 Contingent liabilities

Contingent liabilities are recognised where the LHB has :

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;
- a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events met wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

1.15 Deferred Income

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent.

1.16 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement, but is included within expenditure.

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

Programme expenditure is defined as costs relating directly to the provision of healthcare, social care and other services relating to the LHB's functions provided directly to the public.

All other expenditure is classified as administration expenditure.

2.1 Achievement of Operational Financial Balance

	£000	£000
Net operating costs for the financial year	155,712	144,483
Non-discretionary expenditure	969	3,575
Operating costs less non-discretionary expenditure	154,743	140,908
Revenue Resource Limit	154,748	140,914
Under / (over) spend against Revenue Resource Limit	5	6
Unplanned resource brokerage received	0	0
Operational Financial Balance	5	6

3.1 Miscellaneous income

	£000	2004-05 £000
Fees & Charges	0	0
Prescription charge income	1,172	1,518
Income for trust impairments	0	0
Deferred Income released to revenue	0	613
Other	143	133
Total	1,315	2,264

Expenditure:

4.1 Primary health care

	Cash limited	Non cash limited	Total	2004-05 Total
	£000	£000	£000	£000
General Medical services	20,656	0	20,656	19,248
Pharmaceutical services	3,818	125	3,943	2,738
General Dental services	699	62	761	41
General Ophthalmic services	0	782	782	796
Other Primary health care expenditure	2,434	0	2,434	2,592
Prescribed drugs and appliances	20,224	0	20,224	21,386
Total	47,831	969	48,800	46,801

4.2 Secondary and Community health care

	Total	2004-05 Total
	£000	£000
NHS Trusts:		
Provider 1 - North East Wales	52,809	48,991
Provider 2 - Conwy and Denbighshire	23,002	21,729
Provider 3 - Countess of Chester	15,795	14,393
Provider 4 - Robert Jones and Agnes Hunt Orthopaedic	1,262	1,154
Provider 5 - Mental Health Care Group (non NHS)	714	239
Provider 6 - Cheshire and Wirral PCT	641	614
Provider 7 - North West Wales	482	525
Provider 8 - Coed Du Hall Ltd (non NHS)	481	182
Provider 9 - Royal Liverpool and Broadgreen	473	400
Provider 10 - Wirral Hospitals	412	393
Other Welsh NHS trusts	207	204
Other non Welsh NHS trusts	760	997
Local Authorities	216	162
Voluntary Organisations	176	222
NHS Funded Nursing Care	1,267	1,347
Continuing Care	4,271	4,397
Private providers	710	647
Specific projects funded by Welsh Assembly Government	0	0
Other	0	7
Total	103,678	96,603

Expenditure with Local Authorities is as follows:

	£000's
Flintshire County Council - Rapid Response Team	207
Flintshire County Council - Youth Offending Team	9
	<u>216</u>

4.3 Other programme expenditure

	2004-05
	£000
Salaries and wages	1,288
National Public Health Service	724
Losses, special payments and irrecoverable debts	0
Research and development	0
Other	630
	<hr/>
Total	2,642
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4.4 Administration expenditure

	2004-05
	£000
Non-officer members' remuneration	95
Other salaries and wages	1,003
Establishment expenses	155
Transport and moveable plant	17
Premises and fixed plant	52
External contractors	(22)
Auditors' remuneration - audit fee	87
Auditors' remuneration - other fees	0
Business Services Centre recharge	850
Interest payable- unwinding of discount	0
Interest payable -other	0
Capital - depreciation and amortisation	10
Capital charge interest	(364)
Impairment	0
(Profit) / loss on disposal of fixed assets	0
Other	24
	<hr/>
Total	1,907
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**4.5 Losses, special payments and irrecoverable debts:
charges to operating expenses**

	Total	2004-05 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	0
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total	0	0

Personal injury includes £nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2004-05 £000
Hire of plant and machinery	0	0
Other operating leases	19	0
Total	19	0

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2004-05 Land and Buildings £000	2004-05 Other Leases £000
Operating leases which expire:				
Within 1 year	0	7	0	0
Between 1 and 5 years	0	10	0	0
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total £000	2004-05 Total £000
Salaries and wages	2,710	1,273
Social security costs	222	90
Employer contributions to NHSPA	345	153
Other pension costs	0	0
Agency / seconded staff	26	10
Total	3,303	1,526

The total Executive Director and staff costs of £3,303,000 are engaged within the Administrative, Programme and Primary Care functions of the Local Health Board as disclosed in Notes 4.1 (on Page 14) and Notes 4.3 and 4.4 on page 15, as follows:

	£000
Note 4.1 Primary Health care - (part of) General Medical Services	1,012
Note 4.3 Other programme Expenditure - Salaries & Wages	1,288
Note 4.4 Administration Expenditure - Other Salaries & Wages	1,003
Total LHB Executive Directors and staff costs	3,303

The LHB staff costs within Primary Health care services (Note 4.1 - page 14) of £1,012,000 are for doctors, nurses and administrative staff engaged within the LHB provided GP Out of Hours Service. There are other staff employed within Primary Health Care General Medical Services but as these are directly employed by General Practitioners they are not included within Note 4.7 above.

4.8 Board Directors' remuneration

	£000	2004-05 £000
Non-officer members' remuneration	95	83
Executive Directors' remuneration:		
basic salaries	259	222
benefits	2	0
performance related bonuses	0	0
pension contributions	30	31
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	386	336

	Chairman £000	Chief Executive £000
Basic Salary	30	75
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	1	10
Total	31	85

Remuneration waived by directors and allowances paid in lieu:

	Number	£000
Directors' remuneration waived	0	0
Allowances paid in lieu of remuneration	0	0

The basis on which performance related bonuses are calculated is as follows:

Not applicable.

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and contract staff Number	Staff on inward second- ment Number	Total Number	2004-05 Number
Executive Board Members	4	0	0	4	3
Other Local Health Board Staff	54	15	4	73	44
Recharged staff	0	0	0	0	0
Total	58	15	4	77	47

The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year.

Expenditure on staff benefits

	£00	£00
Nature of expenditure:		
a.	0	0
b.	0	0
c.	0	0
d.	0	0
Total	0	0

4.10 Retirements due to ill-health

During 2005-06 there were nil early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £nil.

4.11 Public Sector Payment Policy - Measure of Compliance

The National Assembly for Wales requires LHB's to pay non-NHS trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The target is to pay all trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.

	Number	£000	2004-05 £000
Non- NHS			
Total bills paid 2005-2006	1,501	3,036	2,270
Total bills paid within target	1,498	3,035	2,258
Percentage of bills paid within target	99.8%	100.0%	99.5%

In addition, the National Assembly for Wales require LHB's to pay other NHS bodies in accordance with Government Accounting rules. The target is to pay all other NHS bodies within 30 days of receipt of goods or a valid invoice by the authority (whichever is the later) unless other payment terms have been agreed with the NHS body.

	Number	£000	2004-05 £000
NHS			
Total bills paid 2005-2006	512	97,842	91,716
Total bills paid within target	511	97,841	91,716
Percentage of bills paid within target	99.8%	100.0%	100.0%

	Number	£000	2004-05 £000
Total			
Total bills paid 2005-2006	2,013	100,878	93,986
Total bills paid within target	2,009	100,876	93,974
Percentage of bills paid within target	99.8%	100.0%	100.0%

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

	2004-05	
	£	£
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2005	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2006	0	0	0	0	0
Accumulated amortisation at 1 April 2005	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2006	0	0	0	0	0
Net book value at 1 April 2005	0	0	0	0	0
Net book value at 31 March 2006	0	0	0	0	0

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Assets under construction and payments on account								Total £000
	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000		
At 1 April 2005	0	0	0	0	0	0	8	8	
Indexation	0	0	0	0	0	0	0	0	
Additions - purchased	0	0	0	0	0	0	88	88	
Additions - donated government granted	0	0	0	0	0	0	0	0	
Transfers	0	0	0	0	0	0	0	0	
Impairments	0	0	0	0	0	0	0	0	
Other in-year revaluations	0	0	0	0	0	0	0	0	
Disposals	0	0	0	0	0	0	0	0	
At 31 March 2006	0	0	0	0	0	0	96	96	
Depreciation									
At 1 April 2005	0	0	0	0	0	0	0	0	
Indexation	0	0	0	0	0	0	0	0	
Additions - purchased	0	0	0	0	0	0	0	0	
Additions - donated government granted	0	0	0	0	0	0	0	0	
Transfers	0	0	0	0	0	0	0	0	
Impairments	0	0	0	0	0	0	0	0	
Other in-year revaluations	0	0	0	0	0	0	0	0	
Disposals	0	0	0	0	0	0	0	0	
Provided during the year	0	0	0	0	0	0	10	10	
At 31 March 2006	0	0	0	0	0	0	10	10	
Net book value at 1 April 2005	0	0	0	0	0	0	8	8	
Net book value at 31 March 2006	0	0	0	0	0	0	86	86	
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	
Value of assets held at open market value	0	0	0	0	0	0	0	0	

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2006 comprises:

	£000	2004-05 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
Total	0	0

Net profit/(loss) on disposal of fixed assets

	£000	2004-05 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

6.1 Debtors

	2004-05	
Amounts falling due within one year:	£000	£000
National Assembly for Wales	23	5
Health Commission Wales	0	84
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	50	11
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	324	530
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	88	97
	<hr/>	<hr/>
Sub total	485	727
	<hr/>	<hr/>
Amounts falling due after more than one year:	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	11	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	11	0
	<hr/>	<hr/>
Total	496	727

6.2 Creditors

Amounts falling due within one year:	2004-05	
	£000	£000
National Assembly for Wales	8	0
Health Commission Wales	0	0
Local Health Boards	142	1
NHS Trusts	933	401
Primary Care Trusts	7	0
Income tax and social security	63	40
Non-NHS creditors	4,876	1,864
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	5,148	7,454
Deferred Income	0	0
Other creditors	0	0
Total	11,177	9,760

6.3 Creditors

Amounts falling due after more than one year:	2004-05	
	Total £000	Total £000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2005	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Change in discount rate	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0	0
Other	1,032			0	554	(328)	(22)		1,236
Total	1,032	0	0	0	554	(328)	(22)	0	1,236

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	1,236	0	0	1,236
Total	1,236	0	0	1,236

The LHB estimates that in 2006-07 it will receive £nil, and in 2007-08 and beyond £nil from the Welsh Risk Pool in respect of losses and special payments.

Other provisions of £1,236,000 relate to Continuing Healthcare costs subject to further review.

In February 2003 the report by the Ombudsmen on NHS funding for long term care concluded that departmental guidance on who should receive financial support for nursing care had been misinterpreted and misapplied by Health Authorities. As a consequence claims for recompense are expected and where following a full examination of the facts it is accepted that someone had been wrongly denied care and incurred costs as a result recompense may be due.

The provision for claims for continuing care of £1,236,000 included in the accounts relates only to those costs for continuing care occurring after 1st April 2003. All costs for which a provision has been established relating to periods pre 1st April 2003 will be accounted for elsewhere in the Wales health economy (in accordance with National Assembly requirements) as although they relate to residents in the Flintshire LHB area, they were incurred before Flintshire LHB was established.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2005	(10,044)
Net operating cost for the financial year	(155,712)
Net Assembly funding (including capital)	154,329
Capital charge interest	(364)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2006	(11,791)

6.6 Donated asset reserve

The movement on the donated asset reserve in the year comprised:

	£000
Balance at 1 April 2005	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2006	0

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2005	0
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2006	0

6.8 Contingent liabilities -

The following contingent losses/gains have not been included in the accounts

Nature:	2004-05	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
Total	0	0

The LHB had no contingent liabilities at the balance sheet date.

The provision for continuing care of £1,236,000 included in note 6.4 to the accounts (page 26) relates only to those costs for continuing care occurring after 1st April 2003 that are subject to review by the NHS Ombudsman. All costs subject to Ombudsman review for which a provision has been established relating to periods pre 1st April 2003, are accounted for in Powys LHB's accounts, as required by the Welsh Assembly Government (WAG). In March 2005, WAG published adverts in national and local papers inviting cases to be submitted for review by the NHS Ombudsman. Although further cases have been submitted and there maybe further cases yet to be submitted to the Ombudsman, the LHB has no knowledge of the value or extent of the claims at this time.

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	55	0	119	0
Balances with local authorities	50	0	536	0
Balances with NHS trusts and Foundation trusts	50	0	940	0
Balances with Local Health Boards	0	0	142	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	330	11	9440	0
Total at 31 March 2006	485	11	11177	0

6.10 Post balance sheet events

Post balance sheet events having a material effect on the accounts are:

1.	0
	
2.	0
	
Total		0

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2004-05	
Contracted	0	0	0
Authorised but not contracted	0	0	0
Total		0	0

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2005-2006 **0**

Flintshire Local Health Board is a body corporate established by order of the National Assembly.

The Assembly is regarded as a related party. During the year Flintshire LHB has had a significant number of material transactions with the Assembly and with other entities for which the Assembly, together with the Department of Health for England, is regarded as the parent body.

NHS providers with which the LHB has had material transactions are disclosed in note 4.2 to the accounts. Transactions with the All Wales Risk Pool are outlined in note 4.5.

Other related entities with which the LHB has had material transactions include:

	Income £'000	Expenditure £'000
Powys LHB	0	850

In addition, the Local Health Board has a significant number of transactions with other Government Departments and other central and local Government bodies. The most significant of these transactions are as follows:

	Income £'000	Expenditure £'000
Flintshire County Council	92	2152

The following Board members are members and employees of Flintshire County Council:

Cllr H McGill
 Mrs S Lewis, Director of Adult Social Services
 Cllr D Wilkes

Furthermore, the following board members have declared financial involvement with organisations during the year as noted with which the Board has had financial transactions:-

6.12 Related Party transactions

Executive Directors

Dr J Fells, LHB Medical Director and GP Partner - Queensferry Medical Practice

Dr A Tinkler, LHB Associate Director of Public Health and employee of National Public Health Service (Velindre NHS Trust)

LHB Chairman

Mr R B Harrison, Locum Pharmacist

LHB Board members

Mr M Horton, Dental Practitioner, Caergwrle

Dr S Jones, GP Partner - Pendre Surgery, Holywell (April to September 2005 only)

Dr E Beckett, GP - Grosvenor Street Practice, Mold

Mr J Smith, Optician, Mold

Mr H Crook, Pharmacist, Shotton

Mr N Bradshaw, Director of Planning, North East Wales NHS Trust

Mr I Howard, Director of Planning, Conwy and Denbighshire NHS Trust

Dr P Rutherford, Medical Director, North East Wales NHS Trust

Mrs S Cunnington, Commissioning and Planning Officer, Denbighshire Social Services

Mr G Evans, Therapy Services Manager, NEWT

Mrs E Prestidge, Clwyd Community Health Council

Mrs V Coleman, Community Sister, North East Wales NHS Trust (April to July 2005 only)

The General Practitioners who are Local Health Board Members are also practising GPs within the county of Flintshire and some Nurse members are NHS Trust employees. The Ophthalmic and Pharmaceutical Local Health Board members receive reimbursement for the provision of services from the Board whilst Dental Members receive reimbursement from the Dental Practice Board for services provided on behalf of the Board.

6.13 Losses and special payments

Losses and special payments are transactions that the National Assembly for Wales would not have contemplated when it allocated and distributed funding for the National Health Service. By their nature they are items that should not arise. They are therefore subject to special control procedures compared with the generality of payments and special notation in the accounts to draw them to the attention of the National Assembly for Wales. They are divided into different categories, which govern the way each individual case is handled. These payments are charged to the Operating Cost Statement in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore, this note is compiled on a cash basis.

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	6	972
All other losses and special payments	78	73,276
Total losses and special payments	84	74,248

Analysis of cases which exceed £250,000 and all other cases

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
Sub-total	0	0	0
All other cases	74,248	0	98,950
Total cases	74,248	0	98,950

6.14 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHB's in Wales are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The LHB's have no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB's in undertaking their activities.

Liquidity Risk

The LHB's income allocations and capital expenditure are financed from resources voted annually by Parliament. Therefore, they are not exposed to significant liquidity risks.

Interest-rate Risk

All the LHB's financial assets and financial liabilities carry nil or fixed rates of interest. Therefore, they are not exposed to interest-rate risk.

Foreign Currency Risk

The LHB's have negligible foreign currency income or expenditure. Therefore, they are not exposed to significant foreign currency risk.

6.15 Finance lease obligations

The future minimum lease payments under finance leases to which the Local Health Board was committed at the balance sheet date were as follows:

	£000	2004-05 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0

The total net obligation under finance leases can be analysed as follows:

Creditors: amounts due within one year	0	0
Creditors: amounts due after more than one year	0	0

6.16 Pooled Budgets

The LHB had no pooled budget arrangements during the year.

7 Additional Information

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**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES
AS ACCOUNTABLE OFFICER OF THE LOCAL HEALTH BOARD**

The National Assembly has directed that the Chief Executive should be the Accountable Officer to the LHB. 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 Assembly.

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: 2006 Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The National Assembly, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Assembly 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 that 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 authority and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Assembly.

By Order of the Board

Signed:

Chairman: Dated: 2006

Chief Executive: Dated: 2006

Director of Finance: Dated: 2006

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the 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.

The performance of Flintshire Local Health Board is held to account via the Welsh Assembly Local Health Economy reviews.

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
- 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 year ended 31st March 2006 and up to the date of approval of the annual report and accounts and accords with Welsh Assembly Government Guidance.

3. Capacity to handle risk

Flintshire Local Health Board has developed arrangements to implement the Welsh Assembly Government risk management and operational control standards. The WAG guidance identifies the core controls assurance standards which effectively define the governance framework required by a Local Health Board to manage its overall business.

The Risk Management Strategy sets out the responsibility and role of the Chief Executive, Executive Officers and Non-Officers in relation to Risk Management.

3. Capacity to handle risk - continued

The Director of Finance has been delegated the responsibility for Risk Management, supported by Executive and Operational Leads for each of the Risk Management Standards.

The organisation has adopted a top down approach whereby the principle risks that could potentially threaten the achievement of the organisations primary objectives have been systematically identified. High level potential risks have been documented (mapped to objectives).

The identification and continuous review of potential risks that threaten the achievement of the organisations primary objectives is a standing agenda item for all directorates within the Local Health Board. Controls in place are critically evaluated to mitigate risk and to assure that the systems are in place and working effectively.

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

The LHB has introduced a risk management tool to collate all sources of risks (and associated actions) and is continuing to develop these across all areas of the organisation. This enables risk management decision making to occur as near as practicable to the risk source and for those risks that cannot be dealt with locally to be passed upwards to the appropriate level.

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 strategy include:

- An executive summary from the Chief Executive that sets out the commitment to risk management and key indicators.
- 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.

4. The risk and control framework - continued

- Risk Management Processes that includes the identification, evaluation, analysis, risk control, review and follow up.
- Training arrangements.
- Dissemination to key stakeholders.
- Further reading and relevant policies.
- Risk Management Objectives.
- Accountability arrangements.
- Principle Committees for managing risks, including summarised Terms of Reference.
- Risk Management Standard Leads.

The risk management framework process has been debated and agreed at Board level which covers the following:

- Main activities.
- Objectives and targets which the LHB is striving to achieve.
- Identification of the risks to the achievement of objectives and targets.
- Identifies and examines the system of internal control in place to manage the risks.

Welsh Risk Management Standards have been self-assessed during the year and Executive/ Management Leads present their progress to the Risk Management Committee on a cyclical basis.

The Director of Finance has reviewed the evidence portfolios of the eight Standards. The Welsh Risk Pool have externally assessed 6 of the standards and the Internal Audit Department have internally assessed the other 2 standards.

The Local Health Board performance against the 5 Core Standards in 2005/06 were as follows:

	2005/06 Performance	Required Standard	Assessment
Risk Management Strategy and Policy	81%	75%	External
Risk Assessment and Treatment	76%	75%	External
Incident and Hazard Reporting	81%	75%	External
Governance	93%	70%	Internal
Financial Management	95%	70%	Internal

4. The risk and control framework - continued

Formal action plans have been defined to further enhance the Framework in respect of:

- * Balancing the framework across all of the organisation's principle activities, in particular services that are not part of the main focus of the LHB such as Shared Financial Services hosted by the Business Services Centre.
- * Sources of assurance indicated in the Framework which will be subject to systematic review in order to establish key controls on which the board is not presently receiving assurances. Gaps in assurance will be documented and action plans developed.
- * The gap analysis in respect of inadequate controls and or assurance will be systematically reviewed by the Risk Management Committee.
- * The prioritisation of risk following the assessment of the adequacy of the assurances obtained.
- * To review the existing risk register both in terms of further developing it as a Risk Management Tool and to ensure strong links the Risk Management Framework. Progress on this is formally reported to the Risk Management Committee.
- * To review and refine all wording in the Risk Management Framework to ensure objectives, control, assurances and gaps are sufficiently clear and specific to enable the Board to appropriately consider the impact and likelihood of risks identified and the actions being taken to address risks.
- * To review the mechanisms the LHB has to roll out the Risk Management Framework to all directorates and to communicate any updates to the Framework. In particular relevance of objectives may change from year to year.
- * The development of a continuous briefing and training process throughout the LHB.

5. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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 Director of Internal Audit's opinion provides me with an opinion on the overall arrangements for gaining assurance through the Risk Management Framework and on the controls reviewed as part of the internal audit work.

5. Review of Effectiveness - continued

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

The Risk Management Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principle 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, Risk Management Committee and Complaints Panel. The process provides that:

- The Audit Committee, as part of an intergrated committee structure, is pivotal in advising the Board on the effectiveness of the system of internal control.
- The Clinical Governance Committee supports 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 provides the Board with the overall assurance on the effectiveness of the Risk Management Framework and continually monitors, reviews and prioritises the Risk Management Programme.

Signed:.....
Chief Executive
(on behalf of board)

Date:.....

AUDITORS' REPORT

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

I certify that I have audited the financial statements on pages 2 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 11.

I certify that I have audited that part of the remuneration report to be audited.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 37 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and National Assembly for Wales directions made there under, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 38 to 42 reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. 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 appropriate to the Board's circumstances, 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 and that part of remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Flintshire Local Health Board as at 31 March 2006 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales;

- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales; and

- 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.

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
3 July 2006

Wales Audit Office
Deri House
Park Grove
Cardiff

ACCOUNT OF - 2005-2006

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES IN ACCORDANCE WITH SECTION 98(2) OF THE NATIONAL HEALTH SERVICE ACT 1977 AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2006 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FReM), as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

- 3. The account of the LHB for the year ended 31 March 2006 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.
- 4. For the financial year ended 31 March 2006 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.
- 5. The balance sheet shall be signed by the chief executive and the director of finance of the LHB and dated.

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.
8. Notes providing further explanations of figures in the accounts shall be made where it is considered appropriate for a proper understanding of the accounts.

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2005-2006

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the information relating to NHS bodies shall be contained in the foreword.
3. The operating cost statement, balance sheet and cashflow statement shall have regard to the format prescribed in the Financial Reporting Manual.
5. NHS bodies are not required to provide the historical cost information described in paragraph (33) of Schedule 4 to the Companies Act.

Accounting Standards

6. NHS bodies are not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the National Assembly for Wales in accordance with section 98(2) of the NHS Act 1977.
2. The foreword shall also contain a description of the statutory background and main functions of the LHB together with a fair review of their operational and financial activities and a summary of their performance against targets.