

Conwy & Denbighshire NHS Trust

Foreword

These accounts for the year ended 31 March 2008 have been prepared by the Conwy & Denbighshire NHS Trust

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.

The Trust is responsible for providing secondary healthcare in the North Wales area. The Trust is also responsible for the North Wales Business Services Partnership, Welsh Risk Pool and the Welsh Health Legal Services.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED
31 MARCH 2008 - CONSOLIDATED**

	2007-08	2006-07
	£000	£000
Income from activities	257,581	274,157
Other operating income	20,001	15,015
Total income	277,582	289,172
Operating expenses	(273,328)	(285,888)
Operating surplus/ (deficit)	4,254	3,284
Costs of fundamental reorganisation/restructuring	0	0
Profit /(loss) on disposal of fixed assets	(66)	(14)
Surplus /(deficit) before interest	4,188	3,270
Interest receivable	1,750	1,045
Interest payable	0	0
Other finance costs	(1,081)	(959)
Surplus /(deficit) for the financial year	4,857	3,356
Public Dividend Capital dividends payable	(4,725)	(4,513)
Retained surplus /(deficit) for the year	132	(1,157)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008 - CONSOLIDATED**

	2007-08	2006-07
	£000	£000
Surplus /(deficit) for the financial year before dividend payments	4,857	3,356
Fixed asset impairment losses	0	(695)
Unrealised surplus /(deficit) on fixed assets revaluations / indexation	1,191	8,966
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	1,011	297
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	(730)	(706)
Additions / (reductions) in "other reserves"	0	0
Defined benefit scheme actuarial gains & losses	0	0
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	6,329	11,218
Prior period adjustment	0	0
	<hr/>	<hr/>
Total gains and losses recognised in the financial year	6,329	11,218
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BALANCE SHEET AS AT 31 MARCH 2008 - CONSOLIDATED

	31 March 2008	31 March 2007
	£000	£000
Fixed assets		
Intangible assets	237	217
Tangible assets	153,600	146,784
Investment assets	0	0
	<u>153,837</u>	<u>147,001</u>
Current assets		
Stocks and work-in-progress	1,901	1,767
Debtors	268,133	282,841
Investments	4,000	0
Cash at bank and in hand	10,815	5,984
	<u>284,849</u>	<u>290,592</u>
Creditors: amounts falling due within 1 year	<u>(18,449)</u>	<u>(19,402)</u>
Net current assets/ (liabilities)	<u>266,400</u>	<u>271,190</u>
Total assets less current liabilities	420,237	418,191
Creditors: amounts falling due after more than one year	<u>(52,549)</u>	(45,922)
Provisions for liabilities and charges	<u>(221,113)</u>	<u>(235,268)</u>
Total assets employed	<u>146,575</u>	<u>137,001</u>
Financed by:		
Taxpayers' equity		
Public dividend capital	93,289	85,319
Revaluation reserve	54,243	53,078
Donated asset reserve	4,824	4,638
Government grant reserve	0	0
Other reserves	0	0
Income and expenditure reserve	<u>(5,781)</u>	<u>(6,034)</u>
Total taxpayers' equity	<u>146,575</u>	<u>137,001</u>

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008 - CONSOLIDATED

	2007-08	2006-07
£000	£000	£000
Operating activities		
Net cash inflow from operating activities	12,209	1,441
Returns on investments and servicing of finance		
Interest received	1,697	1,089
Interest paid	0	0
Interest element of finance leases	0	0
Net cash (outflow) from returns on investments and servicing of finance	1,697	1,089
Capital expenditure		
Payments to acquire tangible fixed assets	(12,271)	(7,750)
Receipts from sale of tangible fixed assets	6	70
Payments to acquire receipts from sale of intangible assets	0	0
Net cash inflow/ (outflow) from capital expenditure	(12,265)	(7,680)
Public dividend capital dividends paid	(4,790)	(4,503)
Management of liquid resources		
Purchase of current asset investments	(104,500)	(77,000)
Sale of investments	100,500	77,000
Net cash inflow/ (outflow) from management of liquid resources	(4,000)	0
Net cash inflow/ (outflow) before financing	(7,149)	(9,653)
Financing		
Public dividend capital received	7,970	8
Public dividend capital repaid (not previously accrued)	0	(179)
Public dividend capital repaid (accrued in previous period)	0	0
Government loans received: short term	0	0
Government loans repaid: short term	0	0
Loan advances/brokerage received	3,000	0
Loan advances/brokerage repaid	0	0
Other capital receipts	1,010	297
Capital element of finance leases	0	0
Net cash inflow / (outflow) from financing	11,980	126
Increase (decrease) in cash	4,831	(9,527)

Notes to the accounts

1. Accounting policies and other information

The National Assembly for Wales has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS trust manual for accounts which shall be agreed with HM Treasury. The accounting policies contained in the manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by the National Assembly for Wales as approved by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. Standard accounting policies are laid down in the manual for accounts and the Capital Accounting Manual. If a change in accounting policy is made it will be disclosed and accounted for in accordance with FRS18 and FRS3.

1.1 Accounting convention

This account has been prepared under the historical costs convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost. NHS Trusts are not required to provide a reconciliation between current costs surpluses and deficits and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired 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 outside the public sector.

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is from commissioners in respect of healthcare services provided under Service and Financial Framework agreements. Income for patient care provided for other NHS bodies is recognised in accordance with the terms and conditions of the NHS contracts. Where non NHS income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued and they have a cost of at least £5,000.

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

i. Capitalisation

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

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £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 an IT network which collectively has a cost more than £5000 and individually have a cost of more than £250; or
- form part of the initial equipping and setting up cost of a new building, ward or unit irrespective of their individual or collective cost.

ii. Valuation

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

Land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years.

Valuations are carried out by the District Valuers of the Inland Revenue at 5 yearly intervals. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last asset valuations were carried out as at 1 April 2007 and are reflected in the 2007-08 balance sheet values.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties, including surplus land, the valuations are carried out at open market value.

Adjustments arising from the five-yearly revaluations are in the first instance taken to the relevant Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the income and expenditure statement. Falls in value when newly constructed assets are brought into use are always charged to the revaluation reserve even where there is no credit balance. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

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

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

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or a nil value, at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trusts estate.

Operational equipment is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

iii. Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives. No depreciation is provided on freehold land, assets in the course of construction and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, 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.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale. Where there have been any significant changes to the useful economic life or residual values of assets, the reason and effect should be disclosed in the year of change. Where, under Financial Reporting Standard 11 a fixed asset impairment is charged to the Income and Expenditure account, offsetting income is paid by the Assembly via the Trust's main commissioner, to offset the charge. The income is used to repay Public Dividend Capital.

1.6 Fixed Asset Investments

Fixed asset investments should be disclosed where the Trust has a participating interest held for the long-term, with a view to exercising control. Each category of investment should be separately disclosed

1.7 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluation are also taken to the donated asset reserve and each year, an amount equal to the depreciation charge is released from this reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.8 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed.

1.9 Cash Bank and Overdrafts

Cash, Bank and Overdrafts are recorded at current values and are only set-off where a formal agreement exists with the bank. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate."

1.10 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, 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 Income and Expenditure Account 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 Income and Expenditure Account on a straight-line basis over the term of the lease.

1.11 Private Finance Initiative

The NHS follows HM Treasury's 'Technical Note 1 (Revised) How to account for PFI transactions' which provides practical guidance for the application of the FRS5 amendment and the guidance Land and Buildings in PFI schemes version 2. PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator in operating a property and for access to the property itself .

Where the balance of risks and rewards of ownership is borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Income and Expenditure account. Where, at the end of the PFI contract, a property reverts to the trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.12 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to the current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.13 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- * there is a clearly defined project;
- * the related expenditure is separately identifiable;
- * the outcome of the project has been assessed with reasonable certainty as to:
 - * its technical feasibility;
 - * its resulting in a product or service which will eventually be brought into use;
- * adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. The trust is unable to disclose the total amount of research and development expenditure charged in the income and expenditure account (a requirement of SSAP 13) because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.14 Provisions

The trust 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. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. 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.

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

- A possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the Trust'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 not wholly within the NHS Trust's control". Contingent assets are disclosed only where the future inflow of economic benefit is considered to be probable".

1.16 Losses and special payments

Losses and special payments are items that the National Assembly for Wales 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 income and expenditure account on an accruals basis. However, note 22 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.

1.17 Pension 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 a defined contribution scheme: the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of valuation on this basis took place as at 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one-off effective of pay modernisation, but before taking into account any of the scheme changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008 employees paid contributions of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% up to 8.5% of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 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 member's pension is normally payable to the surviving spouse.

Early payment 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 final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme 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 Income and Expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

1.18 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 Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.19 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.20 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

1.21 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. Details of third party assets are given in note 27 to the accounts.

1.22 Public Dividend Capital Dividends

A charge, reflecting the forecast 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 forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General.

1.23 EU Emission Trading Scheme

EU emission trading scheme allowances are accounted for as Government granted current asset investments, valued at open market value. As the NHS body makes emissions a provision is recognised with an offsetting transfer from the Government Grant Reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and Government Grant Reserve are valued at current market value at the balance sheet date.

1.24 Welsh Risk Pool

The Welsh Risk Pool was established to assist health bodies in Wales with risk management and settlement of claims with the Conwy & Denbighshire 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 Conwy & Denbighshire 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 31 March 2008. The figures included within the accounts of individual health bodies are compiled in accordance with FRS 12 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.

FRS 12 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 FRS 12, 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.

As a result of the need to comply with this requirement no further discounting exercise has been undertaken in respect of the provisions.

1.25 Welsh Risk pool activities

i. Income

During 2007-08 the Welsh Risk Pool (the Pool) received its income from the Assembly.

ii. Special Payments

Special payment expenditure includes the settlement of claims, costs of payments into court, plaintiffs costs (where relevant) and the costs of associated professional fees. It also includes the in year movement on the provisions and creditors balances which are charged to expenditure in year

The Pool reimburses trusts and local health boards for amounts over the agreed excess level in respect of all risks except for motor vehicle, private finance and income generation.

1.26 Pooled budgets

The Trust has no pooled budgets.

2. Segmental reporting

The following information segments the results of the Trust by:

- the Welsh Risk Pool; and
- healthcare activities, being all the other activities of the Trust, which includes income and expenditure relating to the Business Support Partnership of £5,774,000. This is disclosed separately in note 2 to the Trust's healthcare accounts.

	Welsh Risk Pool		Healthcare activities		Total	
	£000		£000		£000	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Segment income	39,460	68,465	235,377	220,666	277,582	289,172
Costs directly attributable to the segment	(39,258)	(67,885)	(231,325)	(217,962)	(273,328)	(285,888)
Surplus/deficit	202	580	4,052	2,704	4,254	3,284
Common costs	0	0	0	0	0	0
Surplus/deficit before interest	202	580	4,052	2,704	4,254	3,284
Net Assets						
Segment net assets	0	0	146,575	137,001	146,575	137,001

This note includes inter-segment trading which amounted to £2,745k (2006/07 £41k). This is "netted-off" from the consolidated position shown in the main Income and Expenditure Account.

The accounts of the healthcare activities of the Trust are on pages 1 to 32 of the Healthcare Accounts and the accounts of the Welsh Risk Pool are on pages 1 to 9 of the Welsh Risk Pool Accounts.

3. Financial performance targets

The Trust has met 2 out of 3 of its financial targets. Details are given below:

3.1 Breakeven

The Trust has met the breakeven duty in full.

Schedule 4, Paragraph 2 of the NHS (Wales) Act 2006 – formerly the National Health Service and Community Care Act 1990 lays down the statutory financial duties of NHS Trusts:

(1) Every NHS Trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet its outgoings properly charged to revenue account.

(2) Each NHS Trust must achieve such financial objectives as may from time to time be set by the Welsh Minister with the consent of the Treasury and as are applicable to it.

The Trust has a Service Change and Efficiency plan (SCEP) which has been accepted by the Welsh Assembly Government and has therefore achieved its statutory duty under Part (1) above. The Trust has also achieved its statutory breakeven duty under Part (2) above.

The Trust is forecasting achievement of target surplus through delivery of 2008/2009 SCEP. The underlying deficit of £1.49m being recovered in accordance with the agreed SCEP

The Trust has broken even in 2007-08.

3.2 External financing

All trusts are permitted to undershoot their external financing limit (EFL). In 2007-08 the trust was given a single consolidated EFL.

The Trust has achieved its consolidated external financing limit.

	31 March 2008	31 March 2007
	£000	£000
External financing limit set by the National Assembly	6,139	9,356
Cash flow financing	7,149	9,653
Finance leases taken out in year	0	0
Other capital receipts	(1,010)	(297)
External financing requirement	<u>6,139</u>	<u>9,356</u>
Undershoot (overshoot)	<u>0</u>	<u>0</u>

24.3 Creditor payment

The Trust is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later). The Trust has achieved the following results:

	2007-08
Total number of non-NHS bills paid 2007-08	81,587
Total number of non-NHS bills paid within target	71,145
Percentage of non-NHS bills paid within target	87.2%

The Trust has not met the target.

The North Wales Business Support Partnership (NW BSP) has provided the Trust's creditor payments function since May 2007. Monthly performance against the target initially fell to 88.6% in June 2007, but steadily improved as new staff and methods of working were established. Performance in March 2008 was 93.7%. The Trust is working with the NW BSP to continually improve creditor payment performance. The Trust has reported to the WAG throughout the year that it would not meet the creditor payment target.

**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 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: 2008 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, directs 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:2008

Chairman:

Date:2008

Chief Executive:

Date:2008

Director of Finance:

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY

NHS TRUSTS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2008 and subsequent financial years in respect of the NHS Wales Trusts. 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 NHS Wales Trusts 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 NHS Wales Trust Manual for Accounts;
- (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 Trust for the year ended 31 March 2008 and subsequent years shall comprise a foreword, an income and expenditure account, 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 Trust 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 account shall be signed and dated by the Chief Executive and Chairman of the Trust.

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 Welsh Ministers

Signed :

Dated :

STATEMENT ON INTERNAL CONTROL 2007/2008
ORGANISATION NAME: CONWY AND DENBIGHSHIRE NHS TRUST

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 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.

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 year ended 31st March 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to Manage Risk.

The Risk Management Policy and Strategy 2008 - 2009 was validated by the Risk Management Committee, and ratified by the Executive Management Team in December 2007 and operational January 2008. The 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 Nurse. 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 policy. Its role is strategic and advisory. The membership consists of: -

- Executive Nurse
- Director of Finance - Financial Risk
- Director of Human Resources – Health and safety
- Medical Director – Clinical Risk
- Director of Operations – Operational Risk
- Litigation Manager
- Risk Manager
- Internal Audit Representative
- Joint Staff Committee member
- Head of Clinical Governance

Reporting Relationship

- To the Clinical Governance Committee for scrutiny
- To the Executive Management Team for action
- To the Trust Board quarterly and annually

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 all 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 Nurse 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 Assurances Standards. Its focus is on the continuing development of an integrated clinical and non - clinical risk management system.

The organisation has adopted a new 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 risks and a 'red' register for operational risks. The top clinical and operational risks will inform an assurance framework, which this year also included a 'corporate' 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

Confirmation of the Healthcare Standards for Wales Self Assessment Scores 2007/2008 with review and opinion of Internal Audit.

Internal Audit Opinion - Healthcare Standards for Wales

The following core standards were reviewed against the 2007-08 self assessment:

Healthcare standard 14

Healthcare standard 16

Healthcare standard 27

Healthcare standard 28

The following assurances can be provided:

- Each standard is allocated against a Committee, with each standard having a nominated Executive or designated lead.
- A detailed process was introduced to ensure the adequate collection, review and submission of each standard.
- Supporting evidence provided within the self assessment was adequate and relevant.
- A Healthcare Standards Improvement Plan was developed, revised following the HIW inspection report with a final submitted to the Board in January 2008.
- Presentations, reports and updates regularly reported to the Trust Board.

Given the findings of the review, we consider that Staff throughout the organisation are aware of the importance and the organisations response to risk/ Enterprise approach to risk management developed and communicated.

The organisation is therefore assessed as **Risk Managed**. In this context, our audit strategy is to facilitate risk management / liaise with risk management and use management assessment of risk where

As a result, **significant assurance** can be given on the adequacy and operating effectiveness of controls in place over Healthcare Standards for Wales at the time of our audit.

Opinion of Director of Internal Audit.

In accordance with NHS Internal Audit Standards, 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 and Integrated Governance Committee, which should provide a reasonable level of assurance, subject to the inherent limitations.

A review was conducted, in accordance with the requirements identified in WHC(2008) 001, of the organisation's systems and processes for responding to the requirements of the Healthcare Standards in Wales. This was broken down into the following sub objectives:

The overall objective of the review was to ensure that the Trust has utilised robust systems and processes to underpin its conclusions regarding the Healthcare Standards in Wales self assessment declaration (2007/2008).

This was broken down into the following sub objectives:

- Roles and Responsibilities are clearly defined
- Awareness Raising in respect of key updates has been undertaken
- Sound processes underpin the completion of the assessment, production of the declaration and identification of supporting evidence
- There is a sound approach to identify the Boards Assurance, including utilisation of existing assurance mechanisms

This review focuses on the systems and processes in respect of the organisation's self assessment for core standards.

In overall terms based on the review objective, it has been concluded that the Board has the following assurance level (shaded) below.

Assurance Levels	Full	Significant	Limited	No
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Confirmation of the Welsh Risk Pool Assessment Scores 2007/2008

The system of internal control was previously underpinned by compliance with the requirements of the Welsh Risk Management Standards. This year there was a reduced assessment of 4 standards, and scoring as follows:

- | | | |
|----------------------|-----------------------------------|-------------|
| • Standard 5 | Claims Standard | 100% |
| • Standard 15 | Maternity Services | 79% |
| • Standard 16 | Operating Department Services | 85% |
| • Standard 37 | Accident and Emergency Governance | 85% |

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 that 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. The Board, the Audit Committee and Risk Management Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, 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 Assurance 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, 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 Assurance 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;

- Controls assurance standards

- Welsh Risk Management Standards, action plan and reports
- The Health and Safety Executives (HSE) visits and reports
- Commission For Health Improvement (CHI)
- Health Improvement Wales (HIW)
- 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.

There have been no significant internal controls issues identified during 2007/2008.

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.

6. Pension Contributions Assurance Statement

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.

7. Significant internal control problems

Electronic Staff Record:

Problems were encountered in 2007/08 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 Trusts in Wales to resolve the remaining problems and there has been an improvement during the year.

Public Sector Payment Policy

The Business Support Partnership (BSP) was established at the end of 2006/07 to provide a shared service centre. The BSP took over responsibility for making creditor payments in May 2007. There have been problems achieving the Public Sector Payment target of paying 95% of non NHS invoices within 30 days of the receipt of the goods or a valid invoice (whichever is the later). The main problems were:-

- (i) Many staff did not transfer from the predecessor creditor payment sections, resulting in delays whilst new staff were recruited and fully trained.
- (ii) Suppliers continued to send invoices to the predecessor locations, suppliers then occasionally sent a duplicate invoice to the BSP which delayed payment whilst the account was reconciled.
- (iii) Authorisation of invoices and goods took longer due to the need to send some invoices by post been the BSP office and host Trust for approval.

Steps have been taken throughout the year to improve the processes and train staff. As a result there has been a steady improvement in the performance and the 93.7% was achieved in March.

Signed..... Date:
 Chief Executive
 (On behalf of the board)

The certificate and report of the Auditor General for Wales to the National Assembly for Wales

Conwy and Denbighshire NHS Trust

I certify that I have audited the consolidated financial statements of Conwy and Denbighshire NHS Trust, which incorporate the Healthcare accounts and the Welsh Risk Pool accounts, for the year ended 31 March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder 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 and the part of the remuneration report to be audited 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 whether the financial statements and the part of the remuneration report to be audited 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 thereunder. 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, Conwy and Denbighshire 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 Conwy and Denbighshire 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 Conwy and Denbighshire NHS Trust's corporate governance procedures or its risk and control procedures.

I have been unable to read the other information contained in the Annual Report and consider whether it was consistent with the audited statements as it was not available at the time of my audit.

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 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 most appropriate to Conwy and Denbighshire 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 and that part of remuneration report to be audited.

Without qualifying my opinion, I draw attention to note 24.1, which sets out the financial position of the Trust and the actions being taken to achieve financial balance.

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 thereunder by Welsh Ministers of the state of the affairs of Conwy and Denbighshire NHS Trust as at 31 March 2008 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited 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 Conwy and Denbighshire NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
08 July 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ