

Gwynedd Local Health Board

FOREWORD

These accounts have been prepared by the Local Health Board 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 have, 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 [Gwynedd](#).
- 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 13. 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 2008

	Note	Total £000	2006-07 Total £000
Expenditure	4.1,4.2,4.3, 4.4	186,994	179,144
Miscellaneous income	3.1	1,312	1,871
Net operating costs		<u>185,682</u>	<u>177,273</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	43	24
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>43</u>	<u>24</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	31 March 2007 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	366	343
CURRENT ASSETS			
Debtors	6.1	744	1,144
Cash at bank and in hand		162	217
Total Current Assets		906	1,361
Creditors: amounts falling due within one year	6.2	9,820	9,281
Net current assets / (liabilities)		(8,914)	(7,920)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	100	75
TOTAL NET ASSETS		(8,648)	(7,652)
FINANCED BY:			
General fund	6.5	(8,875)	(7,836)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	227	184
TOTAL		(8,648)	(7,652)

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 2008

	£000	2006-07 £000
Net operating costs	(185,682)	(177,273)
Adjust for non-cash transactions	(225)	(232)
Adjust for movements in working capital other than cash	939	(3)
Utilisation of provisions	(21)	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(184,989)	(177,508)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
Net cash inflow / (outflow) before financing	(184,989)	(177,508)
FINANCING:		
Net Assembly funding (including capital)	184,934	177,550
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
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Net cash inflow / (outflow) from financing	184,934	177,550
Increase / (decrease) in cash	(55)	42

Notes to the cash flow statement**Adjust for non-cash transactions**

	£000	2006-07 £000
Depreciation and other write-offs	20	22
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	46	21
Capital charge interest	(291)	(275)
	<u>(225)</u>	<u>(232)</u>

Adjust for movements in working capital other than cash

	£000	2006-07 £000
(Increase)/decrease in debtors	400	(688)
Increase/(decrease) in creditors	539	685
	<u>939</u>	<u>(3)</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(55)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>(55)</u>
Non cash changes in debt	0
Net debt at 1 April 2007	<u>217</u>
Net debt at 31 March 2008	<u>162</u>

Analysis of changes in net debt

	As at 1 April 2007	Cash flows	Other changes	As at 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	217	(55)	0	162
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>217</u>	<u>(55)</u>	<u>0</u>	<u>162</u>
Total	<u>217</u>	<u>(55)</u>	<u>0</u>	<u>162</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £152,825.17

Analysis of capital expenditure, financial investments and associated receipts

	Capital		Loans		Net Total
	Additions £'000	Disposals £'000	Issues £'000	Repayments £'000	£'000
Total cash payment and receipts	0	0	0	0	0

Reconciliation of loan issues and repayments to cash movements

	Issues £'000	2007-08	Net Movement £'000
		Repayments £'000	
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	0	0

Reconciliation of fixed assets and disposals

	Additions £'000	2007-08	Net Movement £'000
		Disposals £'000	
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
Total cash movement on asset additions and disposals	0	0	0

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;

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 1 April 2007.

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 impairments resulting from price changes are charged to the Statement of 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 Operating Cost Statement. Falls in value when newly constructed assets are charged to the revaluation reserve even when there is no credit balance.

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 as for land and buildings. 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.

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 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 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 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 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.nhspa.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 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 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 the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, 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.

Additional pension liabilities arising from early retirements 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 Operating Cost Statement at the time the LHB 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 (AVC's) 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.

1.9 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 2007/08 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

- 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 not 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. Only third party income between non-government bodies may be recognised.

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.

1.17 New Dental Contract

On 1 April 2006 a new dental contract was introduced in England and Wales. LHB's are now responsible for commissioning dental services and organising payment through the Dental Practice Division of the Business Services Authority.

Contractors who underperformed against their contracted level of Units of Dental Activity, (UDA's) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDA's within the new financial year 2008-09.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2008. The final outturn will not be available until after the publication of the annual accounts, and any variance will be recognised in the accounts for 2008-09.

The LHB's superannuation liability is contingent upon :
the actual UDA performance against the annual contracted target to arrive at a final gross earnings for the year;
the declared split of the gross final earnings over the performers registered on each individual contract.

To calculate the LHB's liability in respect of year end under or over performance, the baseline financial value of any under or over achievement against contracted activity is multiplied by a factor of 0.439, (the standard superannuation assumption for the profit element of gross earnings within the dental sector) and 0.14. (the superannuation employee contribution rate.)

2.1 Achievement of Operational Financial Balance

	£000	2006-07 £000
Net operating costs for the financial year	185,682	177,273
Non-discretionary expenditure	182	262
Operating costs less non-discretionary expenditure	185,500	177,011
Revenue Resource Limit	185,553	177,043
Under / (over) spend against Revenue Resource Limit	53	32
Unplanned resource brokerage received	0	0
Operational Financial Balance	53	32

Following approval by the Welsh Assembly Government, Gwynedd LHB received £2.8m cash brokerage brought forward from financial year 2006/07 and brokered £3.6m into financial year 2008/09.

In addition, the LHB brokered £1.06m of resource allocation in 2007/08. This was a result of Continuing Healthcare allocation received on 20th March 2008 with guidance from the WAG that 'LHBs who have reported a surplus or breakeven position should broker the allocation in 2007/08 to LHBs who forecast a year end deficit outturn. The brokerage arrangement will be reversed in 2008/09 and re-allocated to the LHB providing the brokerage'.

3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	0	0
Prescription charge income	135	739
Dental fee income	655	385
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	<u>522</u>	<u>747</u>
Total	<u>1,312</u>	<u>1,871</u>

Other

[Analysis of other income](#)

[£291k Welsh Assembly Government - LDS ringfenced income](#)

[£133k Gwynedd Council - Early intervention service and joint funded continuing care packages](#)

[£21k Gwynedd Council - NSF costs for children reviewer](#)

[£72k North Wales Police - Drug Intervention programme income](#)

[£5k - Ophthalmic monies recovered](#)

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Expenditure:

4.1 Primary health care

	Cash limited	Non cash limited	Total	2006-07 Total
	£000	£000	£000	£000
General Medical services	23,562	0	23,562	23,394
Pharmaceutical services	3,743	(900)	2,843	2,616
General Dental services	4,813	0	4,813	4,248
General Ophthalmic services	0	1,082	1,082	1,036
Other Primary health care expenditure	1,414	0	1,414	1,364
Prescribed drugs and appliances	16,465	0	16,465	16,513
Total	49,997	182	50,179	49,171

4.2 Secondary and Community health care

	Total	2006-07 Total
	£000	£000
NHS Trusts:		
North West Wales	107,960	102,945
North East Wales	5,520	5,368
Conwy and Denbighshire	4,231	3,995
Ceredigion and Mid Wales	3,022	2,934
Robert Jones and Agnes Hunt Orthopaedic	2,084	2,008
Powys Healthcare	454	443
Royal Liverpool University	461	449
Other Welsh NHS trusts	334	402
Other non Welsh NHS trusts	735	767
Local Authorities	0	0
Voluntary Organisations	163	151
NHS Funded Nursing Care	2,151	1,815
Continuing Care	6,276	5,386
Private providers	294	286
Specific projects funded by Welsh Assembly Government	0	0
Other	120	0
Total	133,805	126,949

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4.3 Other programme expenditure

	2006-07
	£000
Salaries and wages	239
National Public Health Service	815
Losses, special payments and irrecoverable debts	0
Research and development	0
Other	107
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Total	1,161
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4.4 Administration expenditure

	2006-07
	£000
Non-officer members' remuneration	101
Other salaries and wages	965
Consultancy services	1
Establishment expenses	107
Transport and moveable plant	7
Premises and fixed plant	82
External contractors	16
Auditors' remuneration - audit fee	76
Auditors' remuneration - other fees	0
Business Services Centre and Business Support Partnership recharge	709
Interest payable- unwinding of discount	0
Interest payable -other	0
Capital - depreciation	20
Amortisation	0
Capital charge interest	(291)
Impairment	0
(Profit) / loss on disposal of fixed assets	0
Other	56
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Total	1,849
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The audit fee includes an amount of £11,746 to cover the cost of audit work undertaken in respect of the shared services provided to the LHB by the Business Support Partnership and the Business Services Centre.

**4.5 Losses, special payments and irrecoverable debts:
charges to operating expenses**

	Total	2006-07 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
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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
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Total	0	0

Personal injury includes £ nil in respect of permanent injury benefits

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4.8 Board Directors' remuneration

	£000	2006-07 £000
Non-officer members' remuneration	94	86
Executive Directors' remuneration:		
basic salaries	294	291
benefits	3	0
performance related bonuses	0	0
pension contributions	41	41
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	432	418

	Chief Chairman	Chief Executive
	£000	£000
Basic Salary	28	78
Benefits	0	3
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	4	11
Total	32	92

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

4.10 Retirements due to ill-health

During 2007-08 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 Welsh Ministers require LHBs 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	2006-07 £000
Non- NHS			
Total bills paid 2007-2008	3,071	9,326	10,461
Total bills paid within target	2,963	9,156	10,344
Percentage of bills paid within target	96.5%	98.2%	98.9%

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	2006-07 £000
NHS			
Total bills paid 2007-2008	795	129,590	113,538
Total bills paid within target	768	129,537	113,454
Percentage of bills paid within target	96.6%	100.0%	99.9%

	Number	£000	2006-07 £000
Total			
Total bills paid 2007-2008	3,866	138,916	123,999
Total bills paid within target	3,731	138,693	123,798
Percentage of bills paid within target	96.5%	99.8%	99.8%

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

	2006-07 £	£
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 2007	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2008	0	0	0	0	0
Accumulated amortisation at 1 April 2007	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 2008	0	0	0	0	0
Net book value at 1 April 2007	0	0	0	0	0
Net book value at 31 March 2008	0	0	0	0	0

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2007	52	291	0	0	0	0	0	83	426
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	8	35	0	0	0	0	0	0	43
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2008	60	326	0	0	0	0	0	83	469
Depreciation									
At 1 April 2007	0	27	0	0	0	0	0	56	83
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	7	0	0	0	0	0	13	20
At 31 March 2008	0	34	0	0	0	0	0	69	103
Net book value									
at 1 April 2007	52	264	0	0	0	0	0	27	343
Net book value									
at 31 March 2008	60	292	0	0	0	0	0	14	366
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	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	0
Value of assets held at open market value									
	0	0	0	0	0	0	0	0	0

6.1 Debtors

Amounts falling due within one year:	£000	2006-07 £000
National Assembly for Wales	24	65
Health Commission Wales	108	123
Local Health Boards	57	31
Primary Care Trusts	1	0
NHS Trusts	201	234
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	326	603
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	27	88
	<hr/>	<hr/>
Sub total	744	1,144
	<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	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	744	1,144
	<hr/>	<hr/>

6.2 Creditors

Amounts falling due within one year:	2006-07	
	£000	£000
National Assembly for Wales	33	29
Health Commission Wales	40	0
Local Health Boards	81	29
NHS Trusts	683	951
Primary Care Trusts	0	0
Income tax and social security	74	72
Non-NHS creditors	6,982	5,958
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	1,926	2,242
Deferred Income	0	0
Other creditors	1	0
	<hr/>	<hr/>
Total	9,820	9,281

6.3 Creditors

Amounts falling due after more than one year:	2006-07	
	Total	Total
	£000	£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
	<hr/>	<hr/>
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2007	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2008
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	75			77	(31)	(21)		100
Total	75	0	0	77	(31)	(21)	0	100

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	100	0	0	100
Total	100	0	0	100

The LHB estimates that in 2008-09 it will receive £'000 , and in 2009-10 and beyond £'000 from the Welsh Risk Pool in respect of losses and special payments.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2007	(7,836)
Net operating cost for the financial year	(185,682)
Net Assembly funding (including capital)	184,934
Capital charge interest	(291)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2008	<u>(8,875)</u>

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2007	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2008	<u>0</u>

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2007	184
Revaluation	43
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2008	<u>227</u>

6.8 Contingent liabilities -

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

Nature:	2006-07	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
Total	0	0

Uncertainties affecting outcome:

In January 2006 the High Court concluded that if, following a health care assessment, a person's health care needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested.

No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

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	147	0	191	0
Balances with local authorities	41	0	484	0
Balances with NHS trusts and Foundation trusts	202	0	683	0
Balances with Local Health Boards	57	0	81	0
Balances with public corporations and trading funds	0	0	49	0
Balances with bodies external to government	297	0	8,332	0
Total at 31 March 2008	744	0	9,820	0
Balances with other central government bodies	188	0	101	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts and Foundation trusts	234	0	951	0
Balances with Local Health Boards	31	0	29	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	691	0	8,200	0
Total at 31 March 2007	1,144	0	9,281	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:

	2006-07	
Contracted	0	0
Authorised but not contracted	0	0
Total	0	0

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2007-2008 **0**

Gwynedd 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 Gwynedd Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely,

NHS TRUSTS	£m
North West Wales	109
Conwy and Denbighshire	5
North East Wales	6
Ceredigion and Mid Wales	3

There were also material transactions with entities in England, namely:

Robert Jones and Agnes Hunt Orthopaedic NHS Trust	2
---	---

A number of the LHB's Board members have interests in related parties as follows:

Name	Interests
Dr Lyndon Miles	GP Partner in Bron Derw Medical Centre, Member of Maesgeirchan Healthy Living Centre.
Dr Fraser Campbell	GP Partner, Pendyffryn Medical Group, Prestatyn. Director Swinson Parry Ltd
Mrs Clare Jones	Married to Strategic Director - Development, Gwynedd Council, £1,318,881
Cllr John Wyn Williams	Director "Cwmni Gwastraff Mon Arfon". Councillor Gwynedd Council, £1,318,881
Mrs Gwenan Job	Communication support organiser with the Stroke Association in North Gwynedd, £35,503
Mr Peter Harrop	Optometrist in Caernarfon.
Dr Gwion Rhys	GP Partner in Nefyn Surgery.
Dr Chris Tillson	GP Partner in Bodnant Surgery.
Dai Rees Jones	Councillor Gwynedd Council, £1,318,881
Dr Paul Birch	NWWT Executive Director / Private Practice, £109,427,457
Miss Urtha Felda	North Wales Manager S.O.V.A High Street, Bangor.
Mr Peter Clarke	Member CHC Gwynedd
Mrs Kate Elis-Williams	Married to Finance Director, Anglesey Council, £6,608
	Executive Director NWWT, £109,427,547
Dr Helen Roberts	Chair of Arfon/Eryri branch of NSPCC, Director of Roberts and Sons
	Member of Gwynedd Family and children forum
Mr D P Lewis	Senior Officer within Local Authority responsible Social Care Service, £1,318,881
Mrs Elizabeth Miers	Employment by NWW NHS Trust 2 days a week, £109,427,457
Mr Glanville Owen	Chief Officer, Community Health Council
Mr Gareth Owen	Treasurer - Tywyn memorial Hospital appeal fund. Charity No - 501274
Dr Paul Langley	GP Botwnnog surgery
Ms Pat Billingham	Chief Officer Meirionydd CHC

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	0	0
All other losses and special payments	99	2,997
Total losses and special payments	99	2,997

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	2,997	0	2,997
Total cases	2,997	0	2,997

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	2006-07 £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

Gwynedd LHB had no pooled budget arrangements in 2007-08.

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

The Welsh Ministers have 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: 2008 Chief Executive

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

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

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 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:

Chairman: Dated: 2008

Chief Executive: Dated: 2008

Director of Finance: Dated: 2008

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

Gwynedd Local Health Board (LHB) is accountable to the Welsh Assembly Government (WAG). The monitoring and accountability arrangements between WAG and the LHB are exercised via the North Wales Regional Office of WAG. These arrangements include monitoring of the Annual Operating Framework (AOF); the LHB's annual review; the monthly financial and performance monitoring return processes; the consideration of risk management and standards reports which include those prepared by Health Inspectorate Wales; and the Director of Audit's Annual Opinion Statement.

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 31 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 handle risk

As Accountable Officer, I have responsibility for all aspects of clinical and corporate governance, including the risk management process embedded within the organisation. The Director of Finance leads the risk management process within the LHB. The Director of Finance is also responsible for co-ordinating all corporate governance and non-clinical risk management activities within the LHB. The Medical Director is responsible for the co-ordination of all clinical governance and clinical risk management activities within the LHB. The Executive Nurse Director is responsible for considering nursing risk management issues and liaises with the Medical Director when appropriate.

The following areas of work have been undertaken by the LHB in 2007-08 within the risk management process:

- a) compliance with the LHB's Risk Management Strategy and Procedures;
- b) maintenance of a fully integrated risk register across the organisation;
- c) implementation of the recommendations that followed the NLIAM 'Governance in Health' review that included an assessment of the LHB's risk management process;
- d) the review and update of the LHB's Risk Management Strategy and Procedures;
- e) the inclusion of a compliance role in the remit of the LHB's Risk Management Sub-Committee (and as such its name has been changed to the Risk Management and Compliance Sub-Committee);
- f) embedding the reporting of LHB risks through the inclusion of a regular risk register report to the Board; and
- g) providing development support to the non-officer members of the Integrated Governance Committee that included linking the risk management process with the 'Assurance Framework'.

STATEMENT ON INTERNAL CONTROL

- h) The LHB's Risk Management Strategy and Procedures identify the need to train and support staff. During the year, continued support was provided to the Corporate Services Manager and those officers who are part of the Risk Management Officer Group.
- i) The LHB's Director of Finance also undertook a self-assessment exercise on the different aspects of Risk Management and this information has been shared with the auditors.

4. The risk and control framework

Gwynedd LHB has followed its Risk Management Strategy and Procedures for 2007-08. This strategy assists the LHB in the following:

- a) to support the successful delivery of the LHB's objectives;
- b) to ensure that the organisation has developed an effective and systematic process of risk management; and
- c) to support the broader governance and assurance framework of the LHB.

Gwynedd LHB adopted integrated governance arrangements in 2007-08 and the risk management strategy and procedures form an important foundation upon which such changes could be made. The risk and control framework is embedded throughout the organisation ensuring that risks can be acted upon in an appropriate manner.

The review and monitoring of risks at Gwynedd LHB is undertaken at every level. The LHB Board receives high level risk reports at its public meetings and the Risk Management and Compliance Sub-Committee (that reports to the Integrated Governance Committee) will oversee the detailed work undertaken by the Risk Management Officer Group.

The risk management process at Gwynedd LHB focuses upon the mitigation of identified risks. This approach has been key to preventing the risk management process becoming a way of merely recording risks and challenges that the LHB faces. The LHB continues to utilise an electronic system to support the risk management process. This system ensures that risks are identified, evaluated and controlled in a consistent manner. The LHB ensures that the risk management system continues to be embedded within the organisation by ensuring that the strategy and procedures are followed and monitored by the Risk Management Sub-Committee. The risk management system and approach in existence at Gwynedd was reviewed against criteria set out in the Manual for Accounts.

In 2007-08, the LHB has completed a self-assessment against the 31 relevant Healthcare Standards set by the Health Inspectorate Wales. Whilst the assessment against all standards is relevant and important to demonstrate sound governance, the four standards of particular relevance to Healthcare Governance are Standards 14,16,27 and 28. Table 1 below provides the self assessed scores (that have not yet been reviewed by the Health Inspectorate Wales) against these four key standards.

Table 1: Healthcare Standards for Wales – Key standards on Healthcare Governance

Standard Number	2007/08 (self assessed)	2006/07 (HIW assessed)
Standard 14	3	3
Standard 16	3	3
Standard 27	3	3
Standard 28	3	2

STATEMENT ON INTERNAL CONTROL

Gwynedd LHB completed and submitted all self-assessed Healthcare Standards for 2007-08 to the Health Inspectorate Wales. Gwynedd LHB identified appropriate officers and directors to lead on the completion of the self-assessment process. Following briefing sessions from the Clinical Governance team, officers completed the self-assessment process. The Clinical Governance team have maintained a role of providing support and monitoring the completion of the process. For 2007-08, each standard has been reviewed by the standard lead who has validated the content of each standard. As Chief Executive, I have reviewed the completion of the standards and ensured that necessary controls and processes have been maintained. The Healthcare Standards were also discussed at the LHB's Integrated Governance Committee and all non-officers of this committee have been provided with read-only access to the standards. The 2007-08 self-assessed standards are awaiting review by Health Inspectorate Wales.

The 2006-07 Healthcare Standards Improvement Plan was considered at the LHB Board on 4/10/07 and the monitoring of the actions within this plan has been achieved through the LHB's corporate system. Maintaining the progress of the Improvement Plan on the LHB's corporate system ensures that progress can be monitored and reported upon.

5. Review of effectiveness

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

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

The Board is accountable for ensuring that effective systems of internal control exist within the LHB. During 2007-08 the Board received regular reports from the LHB's risk register. The creation of an Integrated Governance Committee in 2007-08 has been a further step towards integrating clinical, corporate and financial governance. The Integrated Governance Committee has followed a 'Cycle of Business' to ensure that its agenda is focused and balanced. The Integrated Governance Committee is developing the Board's Assurance Framework around its own 'Cycle of Business' and the overview of management controls and audit reporting (external and internal). Internal audit provides a key role in providing assurance to the Board via the Integrated Governance Committee. The Director of Audit Opinion Statement 2007-08 provides assurance on the system of internal control and the areas that were reviewed in 2007-08. Assurances are also attained from the work of all committees, sub-committees and groups working within the LHB. The Board utilises its committee structure to ensure that effective monitoring and review exists throughout the organisation.

As Accountable Officer, I have a Risk Management Officer Group to ensure that the risk management process is embedded within the organisation. The LHB's process and integrated electronic system also enables the management team to identify, assess and take appropriate

actions to mitigate risks that potentially impact the achievement of the LHB's objectives, targets and statutory duties.

6. Probity of Dental Expenditure

A new Dental Contract was implemented from 1st April 2006, with payments being made on LHBs' behalf by the Business Services Authority Dental Practice Division (DPD) in England. In addition to the checks required to obtain assurance on the adequacy of the payments systems, undertaken by both the DPD's and LHB's internal auditors, there should also be checks to ensure the probity of dental expenditure. The following work is carried out to ensure the probity of dental expenditure:

Quality Assurance Practice Assessment

Self assessment document completed annually by each practice, returned and assessed by NPHS. Feedback to LHB.

Dental Reference Service Practice Visits

Rolling 3 year programme of visits to each practice by DRO. Report to the practice and LHB.

Routine Record Card Checks

Random request for and inspection of record cards. 10 cards/contractor/year. 10 contractors/LHB/year. Summary reports to LHB.

Random Patient Questionnaires

20,000 random patient questionnaires across Wales/year. Approx 100/month/LHB. Summary reports to LHB.

Benefits Eligibility Checks

Over 1m charge exemption claims forwarded to DWP/year (2007). Unconfirmed eligibility followed up with request for proof of exemption. Penalty notices issued where exemption cannot be proved (17% of followed up claims - 2007).

Exception Reports

Provided quarterly to LHB by DPD detailing 'low activity', 'over delivery', 'late reporting', 'multiple FP17s', 'continuations', 'incompletes', 'urgents', 'adult mix', 'free repairs'.

This is in addition to the work carried out by the LHB e.g. review of exception reports, contract activity monitoring, treatment band analysis, complaints review, and that of the LCFS e.g. exception investigating.

Although this work does not indicate that any material irregular dental expenditure occurred during 2007-08, it is not sufficient to provide the LHB with assurance that the risk of irregular payments to dentists are minimised.

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

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

I certify that I have audited the financial statements of Gwynedd Local Health Board for the year ended 31 March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of 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 there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements 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 there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, Gwynedd Local Health 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 HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Gwynedd Local Health Board'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 Gwynedd Local Health Board corporate governance procedures or its risk and control procedures.

I have been unable read the other information contained in the Annual Report and consider whether it is consistent with the audited financial 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 Gwynedd Local Health Board'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.

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 affairs of Gwynedd Local Health Board as at 31 March 2008 and of its net operating costs, 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 Gwynedd Local Health Board'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
27 June 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNT OF - 2007-2008

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

LOCAL HEALTH BOARDS

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 Local Health Boards (LHBs). 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 2008 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 2008 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 Welsh Ministers

Signed :

Dated :

ACCOUNT OF - 2007-2008

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 Directors 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 schedule 9 of the NHS (Wales) Act 2006.
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.