



AUCKLAND  
REGIONAL RMO  
SERVICES LTD

## **Annual Report**

**For the Year Ended 30 June 2009**

**Auckland Regional RMO Services Ltd**

A wholly owned subsidiary of the Waitemata, Auckland and Counties Manukau  
District Health Boards

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## 1. Directors Foreword

The Directors are pleased to present the Auckland Regional RMO Service Ltd annual report for the year ended 30 June 2009.

This Annual Report has been prepared by Auckland Regional RMO Services Ltd to meet the requirements of section 150(1)(b) of the Crown Entities Act 2004.

This document is intended to outline for Parliament and the general public the performance that has been delivered during 2008/09 by Auckland Regional RMO Services Ltd. The agreed performance measures are in the context of the government's strategic and service priorities for the public health and disability sector.

Auckland Regional RMO Services Ltd (ARRMOS) is a not-for-profit limited liability Company wholly-owned by the Waitemata District Health Board, Auckland District Health Board and Counties Manukau District Health Board.

ARRMOS provides recruitment, allocation, training, workforce development and administrative support services to Resident Medical Officers (RMOs) and the Auckland Region DHBs in the region. Services provided to stakeholders include:

### Shareholder DHBs:

- All services related to the recruitment, selection and allocation of RMOs,
- Maintenance of a regional RMO database
- Analysis and reporting of regional trends,
- Information provision for CTA funding contracts
- Administration services for rostering, leave management, payroll liaison
- Operational level employment agreement interpretation
- Support services for the administration of run reviews
- Provision of Workforce Development support services

### Regional Training Committee:

- Compilation and analysis of Run Evaluation survey results and trends,
- Secretarial and administrative support for recruitment and allocation process.

### RMOs:

- Information and non clinical advice on training and career development opportunities
- Assistance with job applications
- Provision of Certificates of service
- Processing of expense reimbursements and registration matters
- Administrative services for all matters related to employment such as induction, orientation, rostering, leave management, additional payment claims and payroll liaison.

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David Davies  
Board Chair  
23 September 2009

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Garry Smith  
Board Member  
23 September 2009

## **2. General Manager's Report**

### **2.1. General**

Auckland Regional RMO Services Ltd is categorised as a Crown Agent under section 7 of the Crown Entities Act 2004 (CE Act 2004). The CE Act 2004 (section 49) states that the Board of Auckland Regional RMO Services Ltd must ensure that the Company acts in a manner consistent with its objectives, functions, and the Statement of Intent (SOI).

This Annual Report is for the year ended 30 June 2009. The Annual Report describes to Parliament and the communities of the Auckland Region what the Company achieved over the past 12 months in terms of providing regional support services related to the RMO workforce employed by its shareholders. The Annual Report incorporates the governance (the Board), and provider (e.g., Administrative Offices and Regional Training Committee) activities of the Company.

Performance measures and targets are included describing how Auckland Regional RMO Services Ltd endeavoured to provide these support services to its shareholders over the past 12 months.

This Annual Report is aligned to and consistent with:

- NZPHD Act 2000
- CE Act 2004
- Public Finance Act 1989 (and subsequent amendment acts)
- Auckland Regional RMO Services Ltd Annual Plan (AP)
- Auckland Regional RMO Services Ltd Strategic Plan (SP)
- The New Zealand Health Strategy (2000)
- The New Zealand Disability Strategy (2001)
- He Korowai Oranga (Māori Health Strategy, 2002)
- Te Tāhuhu: Improving Mental Health 2005-2015 (2005)
- The Health of Older People Strategy (2002)
- The Primary Health Care Strategy (2001)
- The Pacific Health and Disability Action Plan (2002).

This Annual Report includes:

- a statement of service performance that the Company sought to achieve for the year ended 30 June 2009, with non-financial performance measures and targets for one of the two output classes (i.e., the governance and provider parts of the Company) this information can be referenced in section 3.
- financial statements for the year ended 30 June 2009 can be referenced in section 3.

At the end of the year, auditors working on behalf of the Office of the Auditor-General have compared the performance planned in the SOI with the actual performance described in the company's Annual Report.

## **2.2. Reporting to the Minister of Health**

The Company has ensured all decision-making processes comply with any legislative requirements to consult with or notify the Minister of Health. There is no obligation to routinely report matters to the Minister. There has been no need for the Board Chair to communicate directly with the Minister on behalf of the Board and shareholding DHBs for the year ended 30 June 2009.

## **2.3. Our People**

This section describes Auckland Regional RMO Services Ltd's "region". It outlines the geographical location and the profile of the RMO workforce, identifies RMO workforce issues for the Auckland region, and describes how this operating environment has influenced the choices Auckland Regional RMO Services has made during the year ended 30 June 2009.

### Workforce Information

Auckland Regional RMO Services Ltd provided support services to a Resident Medical Officer population approximately 1,000 strong across the Auckland region. Health Services in the region were provided by the Waitemata, Auckland and Counties Manukau DHBs who have an equal shareholding in the Company. RMOs were employed by the three DHBs and undertook training on all the main hospital and community sites including North Shore, Waitakere, Auckland City and Middlemore Hospitals as well as the Mason Clinic, Greenlane Clinical Centre, Manukau Super Clinic and a variety of community based institutions. RMOs rotated across all these sites on a two, three, four or six monthly basis depending on which training scheme they belonged to. The size of the trainee workforce and the complexity of rotating across so many sites and three employers at regular intervals means that we are unique in the New Zealand environment and must constantly strive to formulate our own solutions to problems which may be international in origin.

In addition to the environment described above the RMO workforce is differs from most other workforces in that it is:

- young, with an average age of 34 years
- approximately 55% male and 45% female
- 27% Pakeha
- 2% Maori
- 2% Pacific Island
- 33% Asian
- 12% European
- 1% African
- 22% No data
- relatively well remunerated as compared to other NZ health workforces with salaries being any where between \$47,000 and \$149,000 depending on hours worked and level of experience.
- Undertaking post graduate education of 5-6 years duration in order to gain further registration as vocationally registered medical practitioners either as specialists in the hospital system or independently in the community

The size of the Auckland region means that we were able to provide some of the best and most complex medical training environments in New Zealand and we are attractive employers because of that natural advantage. However, when we have a sustained period of shortages in the trainee workforce, such as the one experienced during the year ended 30 June 2009, the very demanding and busy nature of our institutions means that our RMOs were more willing than their regional peers to seek training opportunities elsewhere. This has meant that ARRMOs has invested much more heavily than other DHB RMO service providers in permanent & temporary recruitment and most crucially of all workforce development. In this regard we lead the country.

#### **2.4. Nature and Scope of Activities**

The activities of our Company fell into two groups (or “output classes”):

- Governance
- Provision of Services.

#### **2.5 Company Governance**

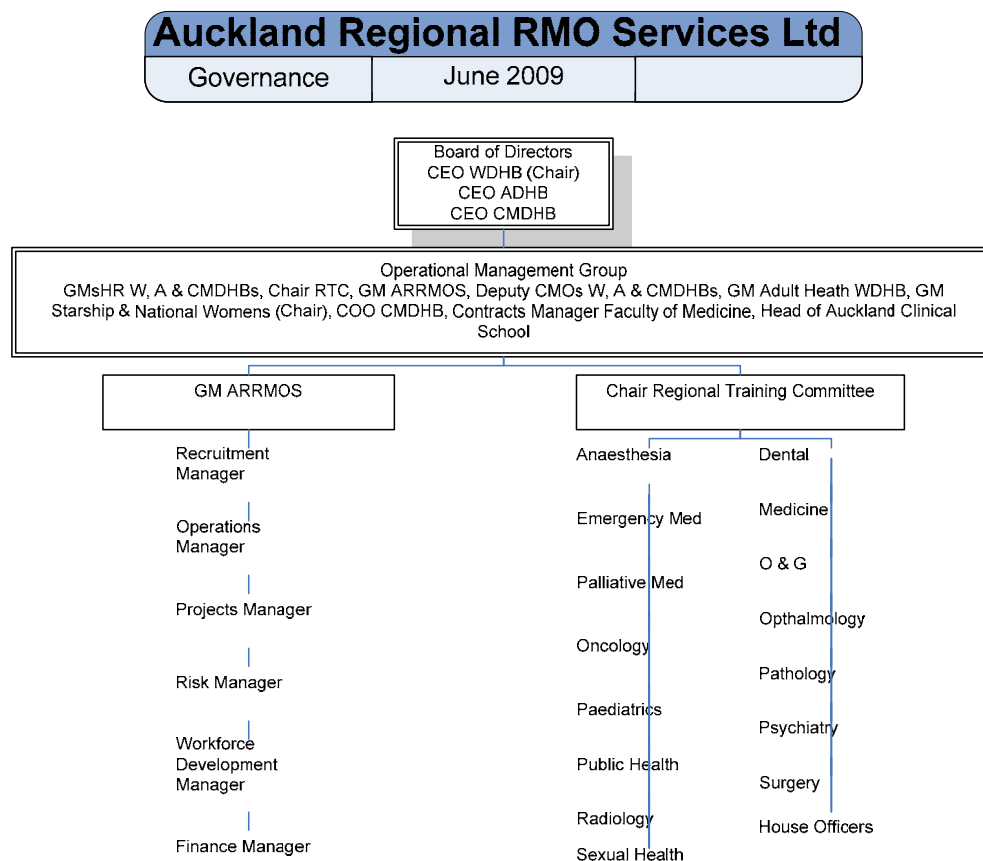
The governance structure for the Company is set out in the Companies Act 1993. The Board consisted of three members being the Chief Executives of the three shareholder DHBs and they had overall responsibility for the operation of Auckland Regional RMO Services Ltd. The Board delegated matters to the General Manager of our Company in accordance with the Delegated Authorities policy.

Members of the public were welcome to observe the meetings of the Board. The meetings were held quarterly. Details of the meetings (such as agendas, minutes, membership of the Board, people who attended a meeting) can be made publicly available by contacting the General Manager, but none were requested during the year ended 30 June 2009.

The Board did not need to have discussions about some subjects where it would be better if the public did not attend, as is allowed for in the Companies Act 1993.

## 2.6 Managing Organisational Health and Capability

Organisational structure:



During the year ended 30 June 2009 the serious nature of RMO vacancy levels made it necessary to change the management structure of the organisation in order to enhance operational performance within existing resources. The recruitment and allocation functions were separated to create a team whose sole focus is the sourcing of RMOs with the expectation that new start numbers would increase beyond the traditional ceiling of 450 per annum. The three DHB based RMO Support Units were brought together under a single manager to provide RMOs with more consistent administrative experience as they rotate between the different DHBs. Management of changeover packs, templated rosters and run reviews was also split out of the daily operations function of the RMO Advisors to free resources for vacancy management and to enable a higher quality of advisory service to be delivered to the DHBs on matters such as the structure and deployment of the RMO workforce. By the close of the year the changes were beginning to prove successful. New start numbers for the last six months of the year were 25% ahead of the long term average and the rostering team was able to support the DHBs in rewriting over 30 run descriptions and rosters for the 2010 training year without impacting on the daily operations service provided by the DHB support units.

## Quality and Safety

The management of serious risks to the quality and delivery of services within Auckland Regional RMO Services Ltd was incorporated into the strategic & annual business plan. It is based on the Quality Dimensions and Goals outlined in Improving Quality (IQ): A systems approach for the New Zealand health and disability sector (2003), which is detailed below:



To measure that service meets the needs, values and expectations of our key stakeholders ARRMOS conducted an annual customer satisfaction survey via an electronic survey tool to maintain consumer focus. The results indicated more regular communication with key customers was required and a programme to ensure ARRMOS representation at existing DHB management and clinical leadership forums was implemented.

The key to quality is continuous improvement via a proactive approach using analysis, measurement, evaluation and learning. A formalised process for measurement and auditing of key performance indicators has been implemented which underpins the annual business plan.

As part of the continuous improvement and quality management process a review of the RMO Support Unit Manual and the RMO Payroll Processes Manual was implemented with a view to introducing both documents to affected parties ahead of the November /December 2009 start of the RMO training year. At the time of writing both projects are scheduled to deliver revised documents on time.

Data Integrity was identified as a significant risk to the quality and delivery of services by ARRMOS. CTA Funding and Payroll information is provided to the District Health Boards based on the data contained in the Dr Who Database. To minimise the risk and ensure integrity of the data scheduled audits occurred as part of the key performance indicator measurement process.

The strategic quality plan was reviewed as part of the Strategic and Annual Business planning processes.

## Managing Key Aspects of Capability

The management of capability within Auckland Regional RMO Services Ltd was carried out primarily through the strategic & annual business planning cycle undertaken on schedule in November 2008 and the annual budget cycle which commenced in November 2008 and continued through into June 2009 due to a shareholder request for a reduction in expenditure for 2009/10. The final budget agreed at the June Board meeting being a 6% reduction on the original budget approved at the March Board meeting. The Company was careful to ensure that planning for enhancements to services did not outstrip capacity of the Company, or its shareholders, to deliver on any additional investment which may be required. Accountability for the successful implementation of this process is delivered through the reporting mechanism of the General Manager to the Operational Management Group.

Key to the ongoing success of the Auckland Regional RMO Services Ltd model is the development of its people. Over the past twelve months intense effort has been put into lifting the skills and capacity of the workforce. To a large extent this has been completed for the core recruitment, allocation, training and workforce development team where all functions are now staffed by appropriately qualified individuals, most of whom have tertiary qualifications in their particular field of expertise. The challenge with this team will be to increase its functionality particularly in the area of recruitment where it is difficult to source and retain good staff. All team members have an individual personal development plan and progress against goals has been measured.

Planned areas of development over the past 12 months focused largely on temporary recruitment and administration. The project to source and implement a temporary recruitment technology system was placed on hold following the RFI process when it became clear that the investment required was unlikely to be funded by the DHBs. Learning from the project has been applied to the regional rostering solution project and it is expected that aspects of this project will be applicable to regional management of the RMO casual workforce. Resource released from halting the temporary recruitment solution project was reallocated to a project designed to completely overhaul the outdated ARRMOS website which functions as the organisation's primary recruitment marketing tool. This work was completed in April 2009 and has been highly successful with overseas RMOs, helping to boost the regions competitiveness in the international market for RMOs.

Additional areas for identified for improvement were related to process. The company built on the efficiencies gained in 2007/2008 by moving all previously manual workforce survey tools to a web based electronic surveying system. Paper files in the central office were replaced with electronic versions of the same documentation. The human resource released by this process was reinvested in positions which added value to the recruitment and allocation process and particularly into positions which form the link between the Regional Training Committee and the RMOs themselves.

## Information Services

The main office of the Company is located on an Auckland District Health Board site. Therefore, ADHB provides the main information technology infrastructure which supports the activities of the company's employees. This includes telephone, fax, e-mail, internet and CPU/VDU, printing and copying capacity. The Company also relies on a number of applications which have been built to support its daily operations. These applications include the RMO database which contains information allocations, qualifications and training history and the database which supports the centralised locum management function. The recruitment function is supported by an application which is common to all three Auckland DHBs. Payroll services are provided by the independent contractor which provides the software that underpins the payroll function at all three DHBs.

Over the course of the past 12 months investigation of integration with existing DHB HRIS/HRMS applications has resulted in a complete review of all previous standard reports. Over 300 reports were identified and condensed to approximately 30. These reports will be migrated to standard DHB reporting technology during 2009/10. The company initiates such processes wherever it is appropriate to do so, but given its small size as compared to the shareholder DHBs most integration will occur as a result of change to their information services in the DHBs flowing through to the Company.

## Workforce Development and Managing Organisational Health

To assist us to deliver on our stated outcomes, over the past twelve months we have continued to implement our obligations to be a 'good employer' and develop and implement equal employment opportunities for all. Over time this will ensure we position ourselves so we can compete successfully for employees in what is projected to be an extremely challenging labour market over the next 2-3 decades. The people who work for us in the future are likely to be different in their needs, motivations and behaviours than the people in current employment. We intend to build on the progress of the past year to ensure our people management practices continue to evolve in response to this. Our people are essential to ensure we maintain excellence and a high level of performance and results.

As noted above in the section on organisational structure we have implemented changes which have meant that we have reviewed our workforce profile, analysed our current situation, identified gaps and issues of concern and taken action to address these issues. We will evaluate the effectiveness of the actions taken over the past 12 months and plan future actions in order to ensure we have eliminated any discrimination and unintended barriers to equal opportunities. This process has assisted us in ensuring we have productive and talented staff who reflect the wider community. Currently our staff are 55% NZ European, 3% NZ Maori, 3% NZ Pacific Island, 3% Asian, 13% European, 13% NZ Asian and 10% African. Delivery on our stated outcomes has required excellent leadership, people, culture, relationships and processes to be in place. The success of this objective has been measured by a change in our profile which more closely reflects the wider community and an improvement in staff morale, confidence and relationships in the organisation as well as staff perception of fairness and equity.

## Productivity and Value for Money

The Operational Management Group ensured that the Company continued to provide value for money to the DHB shareholders by measuring its performance against a number of key indicators on a monthly basis. These indicators included:

- Reporting and managing the growth of total RMO establishment figures for the region with the aim of limiting this growth to no more than 2% per annum. The DHB shareholders created 28 new positions (2.6%) for the 2009 training year all of which were deemed necessary for service delivery.
- Reporting and managing against vacancy rates by DHB and specialty with the aim of maintaining Registrar vacancies at no more than 5% and House Officer vacancies at no more than 15% on average across the training year by the end of the 2009 training year. The registrar and house officer vacancy rate at 15 June 2009 was 13% and 34% respectively reflecting the traditional post registrar changeover peak for vacancy levels. Recruitment in the last half of the year ended 30 June 2009 has been much more successful than that experienced in the first half with new start numbers 25% ahead of the five year average. This success will flow through into the start of the 2010 training year. Vacancies are currently being finalised, but indicative figures are considerably lower than the targets identified above.
- Reporting and managing against total spend on additional duties, cross cover and locum spend on a regional basis with the aim of reducing this to levels recorded in 2006 by the end of the 2009 training year. Due to growth in position numbers and high vacancy rates a reduction in the cost of cover became unrealistic. Work has been undertaken by the company and the shareholders to reduce the hourly rates paid to 'pure' locums from November 2009 with a view to reducing direct expenditure on cover and also to reduce the need for cover by encouraging those individuals back into permanent employment.
- Reporting against total spend per hire with the aim of maintain this between \$1,750 and \$2,250 per hire was achieved with a cost per hire of \$1,046 being recorded.
- Reporting against total spend on RMO recruitment with the aim of maintaining this below \$500,000 per annum was achieved with a total recruitment cost of \$486,036 being recorded.
- Reporting and managing against monthly RMO recruitment volumes with the aim of ensuring that the number of applications and appointments exceeds or balances the number of resignations over the course of a training year. The previous year's experience of a balanced flow in and out of the training scheme reversed again during the year ended 30 June 2009 with a net loss of 42 RMOs from the region. It is expected that a renewed focus on recruitment and retention will reverse the trend towards a net loss of trainees from the region during the 2010 training year.
- Reporting and managing against regional RMO workforce satisfaction as measured by run evaluations with the aim of ensuring that all runs average

a 3.5 / 5.0 or better result was achieved with only 3 runs consistently scoring less than the benchmark.

- Reporting and managing against the annual budget for the Company with the aim of returning an annual result of zero profit or loss before depreciation was achieved with a positive variance of \$152 recorded against budget.

## **2.7 DHB and Intersectoral Collaboration**

### National

Auckland Regional RMO Services Ltd worked with all 21 DHBs through District Health Boards New Zealand to provide the deliverables outlined in the 2008 Advanced Choice of Employment (ACE) contract. This contract which Auckland Regional RMO Services Ltd and its predecessor the Northern Clinical Training Network Ltd (NCTN) has held with District Health Boards New Zealand since its inception in 2005 delivered a fair and transparent match between medical school graduates and the first year House Officer runs provided by each District Health Board. The process was again technology driven through the ACE website and was supported by a fulltime coordinator based in the ARRMOS office. Timelines for the annual recruitment cycle and match were agreed annually with the DHBs. Governance for the system was driven by a reference group comprised of DHBNZ, ARRMOS, DHB and student representatives.

### Regional

Auckland Regional RMO Support Services Ltd is the RMO trainee workforce recruitment, allocation, administration and workforce development agent for the Waitemata, Auckland and Counties Manukau District Health Boards. This Annual Report describes the relationship between the four organisations and the services provided over the past 12 months.

### Shared Support Agencies

Auckland Regional RMO Services Ltd contracted with Health Alliance Ltd for access to the Auckland Regional DHBs electronic recruitment solution, TALEO.

Peter Guthrie  
General Manager  
23 September 2009

### 3. Financial Statements

#### 3.1 Directory

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##### **Nature of Business**

The provision of administrative support services to the Auckland Region District Health Boards and facilitation of training for Resident Medical Officers (RMOs) in the region.

##### **Incorporation Number**

845429

##### **IRD Number**

67 866 428

##### **Chairman**

David Davies                      Appointed 1 July 2007

##### **Directors**

Garry Smith  
Geraint Martin

##### **Shareholders**

Auckland District Health Board	33%
Counties Manukau District Health Board	33%
Waitemata District Health Board	34%

##### **Place of Business**

Level 3, Building 14  
Greenlane Clinical Centre  
Greenlane, Auckland  
Telephone:                      09 631 0707  
Facsimile:                        09 623 4644  
Email:                              arrmos@arrmos.co.nz

##### **Auditor**

Audit New Zealand, on behalf of the Auditor-General

##### **Bankers**

ASB Bank

##### **Solicitors**

General Counsel, Auckland District Health Board

## 3.2 Directors' Report

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In respect of the year ended 30 June 2009, the directors of Auckland Regional RMO Services Limited submit the following report:

### The names of the directors who held office during the year

David Davies  
Garry Smith  
Geraint Martin

### Interests Register

- **Directors' Remuneration**  
During the year no director received any fees or other form of remuneration from the company.
- **Use of company information by directors**  
There were no requests received from directors for company information that would not otherwise have been made available to them.
- **Directors' interest in contracts**  
There were transactions during the year with Health Alliance. David Davies and Geraint Martin are both directors of this company. See related party note 15.
- **Directors indemnity and insurance**  
During the year, the company provided insurance for directors against liabilities to other parties that may arise from their position as directors.
- **Donations**  
The company made no donations during the year.
- **Auditors**  
The Auditor-General is appointed under section 43 of the Public Finance Act 1989 and section 15 of the Public Audit Act 2001. Audit New Zealand has been contracted to provide these services.
- **Remuneration to Auditors**  
An audit fee of \$19,640 was paid and/or accrued to Audit New Zealand for the 30 June 2009 year end audit. (2008: \$11,934)
- **Changes in Accounting Policy**  
There have been no changes in accounting policy.

For and on behalf of the Board

**David Davies**  
Director  
23 September 2009

**Garry Smith**  
Director  
23 September 2009

### **3.3 Statement of Responsibility**

FOR THE YEAR ENDED 30 JUNE 2009

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1. The Board and management of Auckland Regional RMO Services Limited accepts responsibility for the preparation of the annual financial statements and the judgments used in them;
2. The Board and management of Auckland Regional RMO Services Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Board and management of Auckland Regional RMO Services Limited, the annual financial statements for the period ended 30 June 2009, fairly reflect the financial position and operations of Auckland Regional RMO Services Limited.

For and on behalf of the Board

**David Davies**  
Director  
23 September 2009

**Garry Smith**  
Director  
23 September 2009

### 3.4 Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	2009 ACTUAL \$	2009 BUDGET \$	2008 ACTUAL \$
Income:				
ARRMOS operations	3	2,858,549	2,854,374	1,986,014
Interest income		19,000	15,000	18,789
<b>Total income</b>		<b>2,877,549</b>	<b>2,869,374</b>	<b>2,004,803</b>
Expenditure				
ARRMOS operations	4	2,877,331	2,857,874	2,004,445
Finance costs		66	0	98
<b>Total expenditure</b>		<b>2,877,397</b>	<b>2,857,874</b>	<b>2,004,543</b>
<b>Surplus</b>		<b>152</b>	<b>11,500</b>	<b>260</b>
<b>Allocation of Surplus:</b>				
Attributable to shareholders		152	11,500	260

Explanations of major variances to budget are detailed in note 24.

**The accompanying notes form an integral part of these financial statements.**

### 3.5 Statement of Financial Position

AS AT 30 JUNE 2009

	NOTES	2009 ACTUAL \$	2009 BUDGET \$	2008 ACTUAL \$
<b>Equity</b>				
Share capital	6a	100	100	100
Retained earnings	6b	1,291	11,500	1,139
<b>Total Equity</b>		1,391	11,600	1,239
<b>Represented by:</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7	1,357,073	1,091,691	2,334,434
Trade and other receivables	8	772,937	50,000	155,497
<b>Total Current Assets</b>		2,130,010	1,141,691	2,489,931
<b>Non Current Assets</b>				
Plant and equipment	9	0	11,500	0
<b>Total Non Current Assets</b>		0	11,500	0
<b>Total Assets</b>		2,130,010	1,153,191	2,489,931
<b>Current Liabilities</b>				
Trade and other payables	10	1,982,360	1,141,591	2,370,100
Employee benefit liabilities	11	146,259	0	118,592
<b>Total Current Liabilities</b>		2,128,619	1,141,591	2,488,692
<b>Total Liabilities</b>		2,128,619	1,141,591	2,488,692
<b>NET ASSETS</b>		1,391	11,600	1,239

Explanations of major variances to budget are detailed in note 24.

**The accompanying notes form an integral part of these financial statements**

For and on behalf of the Board

**David Davies**  
Director  
23 September 2009

**Garry Smith**  
Director  
23 September 2009

### 3.6 Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

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	2009 ACTUAL \$	2009 BUDGET \$	2008 ACTUAL \$
<b>Equity at beginning of the year</b>	1,239	100	979
Surplus for the year	152	11,500	260
Total recognised income and expenditure for the year.	152	11,500	260
<b>Equity at end of the year</b>	<b>1,391</b>	<b>11,600</b>	<b>1,239</b>

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The accompanying notes form an integral part of these financial statements

**3.7 Statement of Cash Flows**  
FOR THE YEAR ENDED 30 JUNE 2009

		2009 ACTUAL \$	2009 BUDGET \$	2008 ACTUAL
	NOTES			
<b>Cash flows from operating activities</b>				
Receipts from DHBs		2,846,874	2,846,874	1,974,523
Other Income		15,545	7,500	7,805
Interest received		19,000	15,000	18,789
Agency funding receipts & interest		4,401,944	6,196,500	6,912,217
Recharges		392,075	87,500	466,962
Net GST		70,140	0	(123,113)
Employee costs		(2,063,343)	(2,192,784)	(1,550,416)
Interest paid		(66)	0	(98)
Other operating costs		(698,696)	(700,899)	(429,181)
Agency distributions		(5,583,478)	(6,166,500)	(5,733,598)
Invoices paid then recharged		(377,356)	(87,500)	(363,175)
Net cash from operating activities	12	(977,361)	5,691	1,180,715
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment		0	16,000	0
Net cash from investing activities		0	16,000	0
<b>Net increase/ (decrease) in cash and cash equivalents</b>		(977,361)	21,691	1,180,715
<b>Cash and cash equivalents at the beginning of the year</b>		2,334,434	1,070,000	1,153,719
<b>Cash and cash equivalents at the end of the year</b>	7	1,357,073	1,091,691	2,334,434

Explanations of major variances to budget are detailed in note 24.

**The accompanying notes form an integral part of these financial statements**

### 3.8 Statement of Service Performance

FOR THE YEAR ENDED 30 JUNE 2009

This statement summarises for the year ended 30 June 2009, the actual performance of ARRMOS against the performance standards set out in the ARRMOS 2008/2009 Statement of Intent.

<b>MANAGEMENT &amp; LEADERSHIP</b>		
Provide strong, visible leadership and overall direction to ARRMOS in order to ensure that stakeholders as represented on OMG continue to be aware of and actively support the purpose and undertakings of the Auckland Regional RMO Services Organisation		
<b>Key Performance Indicator</b>		<b>Actual Performance</b>
Develop and recommend to the Board a three year Strategic Plan	Draft: December 08 Final: March 09	Achieved Draft: 12 December 08 Final: 12 March 09
Develop and recommend to the Board an annual Business Plan.	Draft: December 08 Final: March 09	Achieved Draft: 12 December 08 Final: 12 March 09
Develop and recommend to the Board an annual Statement of Intent.	Draft: December 08 Final: March 09	Achieved Draft: 12 December 08 Final: 12 March 09
Develop and recommend to the Board an annual Service Level Agreement between ARRMOS and each of the three DHB shareholders	Draft: March 09 Final: June 09	Achieved Draft: N/a Final: June 09
Ensure that compliance with timelines set out in SLAs will be better than: <ul style="list-style-type: none"> <li>90% of activities completed within timeframe</li> <li>95% completed within one additional workday</li> <li>99% completed within two additional weeks of the timeframe</li> </ul>		Not achieved The activities contained in the SLA are of a continuous nature and are part of ARRMOS daily operations. A more appropriate KPI will be formalised in the next business plan and SOI.
Implement recommendations made by Audit New Zealand as part of the annual audit process	June 09	Achieved All recommendations contained within the 2008 Audit NZ management letter have been implemented prior to 30 June 2009.
Ensure that there are no significant Audit recommendations made for the financial year	August 09	Achieved No significant audit recommendations made as a result of Financial statements for the year ended 30 June 2009.

Key Performance Indicator		Actual Performance
Comply with all Companies Office and statutory requirements	June 09	Achieved All Companies Office and statutory requirements are being adhered to. There is continuous evaluation to ensure ongoing compliance.
Represent and articulate the Auckland Region perspective on national bodies and project teams as required.	As required.	Achieved <ul style="list-style-type: none"> <li>Representation on the national DHB Human Resource Management committee investigating House Officer training years.</li> <li>Representation on the steering committee for the national locum and recruitment project</li> </ul> Representation on the international recruitment collaboration project
To guide continuous improvement of services by developing and recommending to the Board an Annual Customer Satisfaction Survey to be undertaken with stakeholders as identified below: <ul style="list-style-type: none"> <li>- RMOs (NZRDA)</li> <li>- DHBs (Management)</li> <li>- DHBs (Professional)</li> <li>- DHBs (Human Resources)</li> <li>- RTC</li> <li>- Professional Colleges</li> <li>- Immigration Service <ul style="list-style-type: none"> <li>- School of Medicine</li> </ul> </li> </ul>	Draft: June 08 Final: September 08 Results: December 09 Action: March 09	Achieved The survey was completed online for the first time and the results were tabled at the Board meeting of 12 December 2008. The Board indicated that closer relationships needed to be developed with the DHBs. As a result: GM ARRMOS has joined with the quarterly clinical directors' forum at each DHB. GM ARRMOS has joined the quarterly General Manager forum at each DHB. ARRMOS workforce development manager has joined the WFD forums at CMDHB and WDHB. (ADHB has no such forum) ARRMOS Operations and recruitment managers attend monthly unit manager forums at each DHB.

Key Performance Indicator		Actual Performance
<p>Report quarterly to the Board on:</p> <ul style="list-style-type: none"> <li>- Strategic Issues</li> <li>- Administrative Issues</li> <li>- Training Issues</li> <li>- ARRMOS Finances (\$0 profit)</li> <li>- RMO Workforce numbers (&lt;2% growth)</li> <li>- RMO Vacancies (5% Registrars and 17.5% House Officers)</li> <li>- Increase % of RMOs with 3 or more years of service from 25% to 35%</li> <li>- RMO Locum expenditure (stabilises at current level of \$14million across the region)</li> <li>- RMO Reimbursement expenditure (stabilises at \$5.5million)</li> <li>- RMO Run Feedback incr to 50% from current 25%)</li> </ul>	<p>September 08</p> <p>December 08</p> <p>March 09</p> <p>June 09</p>	<p>Achieved</p> <p>Reports were tabled at the Board at meetings held on:</p> <p>26 September 2008</p> <p>12 December 2008</p> <p>12 March 2009</p> <p>16 June 2009</p>
<p>Ensure that there is accountability for that agreed targets and KPIs on all the above are being adhered to.</p>		<p>Achieved</p> <p>Included in reports tabled at the quarterly Board meetings</p>
<p>To meet monthly in order to ensure that goals and key performance indicators are being adhered to ahead of requirement to report to the Board</p>	<p>Monthly</p>	<p>Achieved</p> <p>Monthly Operational Management Group (OMG) meetings held the first Monday of each month (except for January 2009).</p>
<p><b>FINANCE</b></p> <p>Provide strong, visible financial management to ARRMOS in order to ensure that stakeholders' investment in the Company is managed according to best business practice.</p>		
<p>In conjunction with the General Manager develop an annual budget which supports the resource requirements of the annual business plan.</p>	<p>Draft: December 08</p> <p>Final: March 09</p>	<p>Achieved</p> <p>Draft: 12 December 08</p> <p>Final: 12 March 09</p> <p>Revised Final: 16 June 09</p>
<p>Provide OMG with a:</p> <ul style="list-style-type: none"> <li>- statement of financial performance</li> <li>- forecast</li> <li>- within 25 days of month end</li> </ul>	<p>Monthly</p>	<p>Achieved</p> <p>Completed for monthly OMG meetings held the first Monday of each month (except for January 2009 when no meeting was held).</p>
<p>Provide OMG with other information as may be required from time to time</p>	<p>As required</p>	<p>Achieved</p> <p>No requests for the year ended 30 June 2009.</p>

Key Performance Indicator		Actual Performance
<p>Provide the Board with:</p> <ul style="list-style-type: none"> <li>- Statement of Funding versus Expenditure</li> <li>- Statement of Financial Performance</li> <li>- Statement of Financial Position</li> <li>- Cash flow Statement</li> <li>- Funding Summary</li> <li>- Pool Summary</li> <li>- Other Pool Summary</li> <li>- Within 25 days of most recent month end</li> </ul> <p>in order to ensure that the business is being managed within available financial resources and that an annual profit / loss before depreciation of \$0 is returned</p>	<p>September 08 December 08 March 09 June 09</p>	<p>Achieved</p> <p>The finance reports were tabled at the Board at meetings held on:</p> <p>26 September 2008 12 December 2008 12 March 2009 16 June 2009</p> <p>Profit for the year end 30 June 2009 was \$152</p>
<p>Provide the Board with other information as may be required from time to time.</p>	<p>As required</p>	<p>Achieved</p> <p>No requests for the year ended 30 June 2009.</p>
<p>Draft annual report and accounts completed and provided to auditors in August annually.</p>	<p>June – September 08</p>	<p>Achieved</p> <p>Draft reports provided to Audit New Zealand in July 2008.</p>
<p>No significant regulatory or audit issues identified for the financial year.</p>	<p>June – September 08</p>	<p>Achieved</p> <p>No significant issues raised in the Audit NZ Management Report 2008</p>
<p>Take a lead role in the annual audit process by ensuring that the auditors are provided with all information and documentation requested in a timely manner.</p>	<p>June – September 08</p>	<p>Achieved</p> <p>Completed in July 2008</p>
<p>Ensure that all documentation meets the standards required by Audit NZ in order that prudent financial management can be demonstrated.</p>	<p>June – September 08</p>	<p>Achieved</p> <p>Documentation of the required standard provided to Audit NZ in July 2008.</p>

## OPERATIONS & RECRUITMENT

Provide strong, visible operational and recruitment process management to ARRMOS in order to ensure that stakeholders' investment in the Company is managed according to best business practice.

Key Performance Indicator		Actual Performance
<p>Develop, communicate and implement an annual recruitment plan which includes commentary on and resources required for:</p> <ul style="list-style-type: none"> <li>- International recruitment</li> <li>- Domestic recruitment</li> <li>- Temp recruitment</li> <li>- Candidate Management</li> <li>- Marketing</li> <li>- Advertising</li> <li>- Leadership of and collaboration with health and other government sector bodies</li> <li>- E recruitment solution</li> <li>- To spend no more than \$500,000 annually on all forms of recruitment activity</li> <li>- To reduce agency spend from \$275,000 to \$175,000</li> <li>- To increase advertising spend from \$0 to \$100,000</li> <li>- To run an average cost per hire of no more than \$2,200</li> </ul>	<p>November 2008 for the year 1 July 2009 – 30 June 2010.</p>	<p>Achieved</p> <p>Included as part of the annual business plan</p> <p>Draft: 12 December 08</p> <p>Final: 12 March 09</p> <p>Indicative recruitment spend \$483,036 in 2008/2009.</p> <p>Indicative agency spend \$25,416 in 2008/2009. Agency spend in 2007/2008 \$288,385. Permanent recruitment staff have been appointed to reduce reliance on agencies. Agency spend KPI will be reduced as part of the next annual recruitment plan.</p> <p>Indicative actual spend \$89,108 in 2008/2009. KPI wording to be changed in the next annual recruitment plan.</p> <p>Indicative cost per hire \$1,046 in 2008/2009. KPI wording to be changed in the next annual recruitment plan</p>
<ul style="list-style-type: none"> <li>- Work with workforce development and the DHBs to maintain a registrar vacancy rate of 5% and a House Officer vacancy rate of 17.5%</li> </ul>	<p>November 2009</p>	<p>Not achieved</p> <p>Current rate at 15 June 2009</p> <p>34% House officer vacancy</p> <p>13% Registrar vacancy</p>
<ul style="list-style-type: none"> <li>- Work with workforce development and the DHBs to increase the % of RMOs in the Dr Who database with 3 or more years of continuous service from 25% to 35%</li> </ul>	<p>June 2010</p>	<p>Not achieved</p> <p>Current rate is 19%. Further analysis of historical data indicates that the goal of even 25% may be unrealistic. Target will be adjusted in the next planning cycle.</p>

Key Performance Indicator		Actual Performance
<p>To ensure that all RMOs are registered with NZ Medical Council prior to appointment by ensuring that MCNZ guidelines for processing paperwork are adhered to</p> <ul style="list-style-type: none"> <li>• Applications are completed in full in accordance with MCNZ requirements</li>   <li>• All applications are sent to MCNZ within a minimum timeframe of 20 working days</li> </ul>	As required	<p>Achieved</p> <p>All applications are completed in accordance with IMNZ requirements – it is not possible for and RMO to start work without NZMC registration.</p> <p>Applications are completed in full resulting in very few requests for further information.</p> <p>All applications have been submitted to MCNZ more than 20 working days in advance to enable registration to be completed before the commencement of employment.</p>
<p>To ensure that all non NZ RMOs have appropriate immigration documentation prior to appointment.</p> <ul style="list-style-type: none"> <li>• Applications are completed in full in accordance with IMNZ requirements</li> <li>• All applications are sent to IMNZ within a minimum timeframe of 30 working days of an RMO arriving in NZ.</li> </ul>	As required	<p>Not achieved</p> <p>The timeframe indicated is no longer applicable as ARRMOs has become a business partner of IMNZ. This allows ARRMOs to process immigration requests directly on behalf of IMNZ. Once processed by ARRMOs the documentation is sent to IMNZ to be 'rubber stamped'</p>
<p>To ensure that training expenses are reimbursed in an accurate and timely manner in accordance with the contractual requirements of the MECA and applicable DHB policies.</p> <ul style="list-style-type: none"> <li>• 90% of claims are processed within 1 week of receipt</li> <li>• 95% of claims are processed within 2 weeks of receipt</li> <li>• 100% of claims are processed within 4 weeks of receipt (disputed claims only)</li> </ul>	Weekly	<p>Achieved</p> <p>Reimbursements are all processed within 1- 2 weeks of receipt, apart from those that require vetting by Vocational Training Committees or the Management Group. 1 complaint was received during the year regarding a late payment of an RMO reimbursement.</p> <p>Every reimbursement batch is checked for compliance with the MECA, as part of the signoff process, by the Operations Manager or their equivalent. The Operations Manager also checks to ensure timely processing of reimbursements as part of this process.</p>

Key Performance Indicator		Actual Performance
<p>In partnership with the Regional Training Committee subcommittees ensure that nationally agreed timelines and processes for the annual allocation and appointment cycle are adhered to:</p> <ul style="list-style-type: none"> <li>- Notification from DHBs of positions for training year</li> <li>- Advertising (NZ and International)</li> <li>- Run preference / continuation letters sent</li> <li>- Applications / run preference / continuation responses received</li> <li>- Interviews</li> <li>- Offers of employment</li> <li>- Acceptances of employment</li> <li>- Allocations of specific runs</li> <li>- Commencement</li> </ul> <p>And that these requirements are recorded in the annual Operations Calendar which should be published to the business and stakeholders annually in November.</p>	<p>April April – May May June July July  November</p>	<p>Achieved</p> <p>All timelines have been met. The entire process is now done electronically through Survey Monkey (an electronic communication tool to track notifications and responses).</p> <p>Completed in November and distributed as appropriate.</p>
<p>To implement ACE in accordance with the requirements of the contract with DHBNZ (Subject to DHBNZ renewing the contract). Including:</p> <ul style="list-style-type: none"> <li>- Road show (four main centres)</li> <li>- Advertising (NZ and International)</li> <li>- Applications</li> <li>- Rankings</li> <li>- Match</li> <li>- Offers of employment</li> <li>- Acceptances of employment</li> <li>- Commencement</li> </ul>	<p>April – May 2008 April – May 2008 June- July 2008 July – August 2008 November 2008</p>	<p>Achieved</p> <p>All timeframes have been met. Monthly reporting to DHBNZ has been completed. The contract was renewed for the 2009 cycle.</p>



Key Performance Indicator		Actual Performance
A monthly report to ensure accountability for delivery against KPIs is submitted to the GM for OMG	Monthly	Achieved Completed for monthly OMG meetings held the first Monday of each month (except for January 2009).
A quarterly report to ensure accountability for delivery against KPIs is submitted to the GM for the Board.	Quarterly	Achieved Quarterly reports tabled at the Board at meetings held on: 26 September 2008 12 December 2008 12 March 2009
<b>WORKFORCE DEVELOPMENT</b>		
Provide strong, visible workforce development management to ARRMOS in order to ensure that stakeholders investment in the Company is managed according to best business practice.		
<p>To develop, communicate and implement an annual workforce development plan which includes commentary and resources required for:</p> <ul style="list-style-type: none"> <li>- Implementing entry interviews and database</li> <li>- Implementing exit interviews and database</li> <li>- Implementing run feedback system and database</li> <li>- Implementing career development pathways for RMOs</li> <li>- Implementing specific workforce planning initiatives</li> <li>- Implementing specific workforce development initiatives</li> <li>- Linkages with local, regional and national workforce development groups and plans</li> </ul>	November 2008	Achieved Included as part of the annual business plan Draft: 12 December 08 Final: 12 March 09
	November 2009	See operations section above
	June 2010	See operations section above
<ul style="list-style-type: none"> <li>- Work with recruitment to maintain a registrar vacancy rate of 5% and a House Officer vacancy rate of 17.5%</li> <li>- Work with recruitment to increase the % of RMOs in the Dr Who database with 3 or more years of service from 25% to 35%</li> </ul>		

Key Performance Indicator		Actual Performance
To ensure that Run Feedback data is sourced and received from RMOs in a timely manner in accordance with the timeframes noted.	Six weeks prior to run end	Achieved Completed per the timetable
To ensure that the Dr Who database is kept up to date with 99% accuracy in the following categories:  - RMO Run Feedback data	Quarterly	Not achieved N/a – Data now held in Survey Monkey and Word.
To ensure that Run Feedback reports are communicated to stakeholders (Board, OMG, VTCs and DHBs) on a twice yearly basis. <ul style="list-style-type: none"> <li>Run feedback reports that identify results of less than or equal to 3.5 / 5 have an improvement action plan agreed with the relevant VTC and DHB</li> <li>Agreement and implementation of the improvement plan takes place within the following 2 run periods</li> </ul> Results are reviewed within 3 run periods.	Twice yearly December 2008	Achieved Reported quarterly to board One years run feedback has now been analysed with 1 run consistently scoring lower than 3.5/5. A plan is being developed to address this issue. A further two runs are being closely monitored as a trend of low scores may be developing.
Work in partnership with DHBs and the VTCs to ensure that specific regional workforce development initiatives and plans are implemented.	June	Achieved The current initiative, the Paediatric Training Programme, is being project managed by ARRMOS. This initiative began in Dec 08 and a final recommendation is due to be presented at the December 09 Board meeting.
A monthly report to ensure accountability against KPIs is submitted to the GM for OMG.	Monthly	Achieved Completed for monthly OMG meetings held the first Monday of each month (except for January 2009 when there was no meeting held).
A quarterly report to ensure accountability against KPIs is submitted to the GM for the Board.	Quarterly	Achieved Quarterly reports tabled at the Board at meetings held on: 26 September 2008 12 December 2008 12 March 2009

<b>Key Performance Indicator</b>		<b>Actual Performance</b>
Changeover processes are administered in accordance with the processes outlined in section 4 of the Regional RMO Support Manual (RRMOSM)	Monthly	Achieved Completed monthly as per the RMO Support Manual
Rosters are administered in accordance with the processes outlined in section 5 of the RRMOSM	Monthly	Achieved Completed monthly as per the RMO Support Manual
Vacancies and Absences are administered in accordance with the processes outlined in sections 6 and 7 of the RRMOSM	Daily	Achieved Administered as they are received.
Leave is administered in accordance with the processes outlined in sections 8 through to 15 of the RRMOSM	Daily	Achieved Administered as they are received
Claims are processed in accordance with section 16 of the RRMOSM.	As required	Achieved Completed as required.
Personal and other HR details are administered in accordance with section 17 of the RRMOSMI	As required	Achieved Completed as required.
Salary reviews, run description and roster changes are administered in accordance with section 18 of the RRMOSM	As required	Achieved Completed as required.
RMO performance is administered in accordance with section 19 of the RRMOSM	As required	Achieved Completed as required.
Resignations are administered in accordance with section 20 of the RRMOSM	As required	Achieved Completed as required.
Payroll issues are administered in accordance with section 21 of the RRMOSM.	As required	Achieved Completed as required.
A monthly report is submitted to the GM for OMG	Monthly	Achieved Completed for monthly OMG meetings held the first Monday of each month (except for January 2009 when there was no meeting held).
A quarterly report is submitted to the GM for the Board	Quarterly	Achieved Quarterly reports tabled at the Board at meetings held on: 26 September 2008 12 December 2008 12 March 2009

## 3.9 Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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### 1. REPORTING ENTITY

Auckland Regional RMO Services Ltd (the Company) is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Company is wholly owned on behalf of the Crown by Auckland District Health Board, Counties Manukau District Health Board and Waitemata District Health Board and is a Crown Entity in terms of the Public Finance Act 1989 and the Crown Entities Act 2004.

The primary objective of the Company is to provide support services, and facilitate the employment and training for Resident Medical Officers in the Auckland region, rather than making a financial return. Accordingly the Company has designated itself a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

### 2. BASIS OF PREPARATION

#### Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate to public benefit entities.

The financial statements of the Company are for the year ended 30 June 2009. The financial statements were approved by the Board of Directors on 23 September 2009.

ARRMOS owners or officers do not have the power to amend the financial statements after issue.

#### Basis of Preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

#### Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to ARRMOS include:

*NZ IAS 1 Presentation of Financial Statements (NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009.*

The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner". The revised standard gives ARRMOS the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). ARRMOS intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

## **Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### *Revenue*

Revenue is measured at the fair value of consideration received.

Interest income is recognised as income in the period in which it is earned using the effective interest rate method.

### *Expenditure*

Borrowing costs are recognised as an expense in the period in which they are incurred.

### *Foreign currency expenditure*

All expenditure denominated in a foreign currency is translated into New Zealand dollars at the date of payment

### *Income tax*

The Company was granted income tax exemption on the basis of being deemed a Public Authority on 9 July 2004, therefore no provision has been made in the financial statements for income tax.

### *Leases*

#### *Finance leases*

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to the ownership of an asset, whether or not title is eventually transferred.

This is reflected in the statement of financial position by recording an asset and a liability at amounts equal, at the inception of the lease, to the lower of the fair value of the leased asset or the present value of the minimum lease payments. The leased asset is depreciated on a straight-line basis over its useful life and the lease payment is apportioned between the interest expense and the reduction of the outstanding liability over the term of the lease.

#### *Operating leases*

An operating lease is a lease that does not transfer to the lessee substantially all the risks and rewards incidental to the ownership of an asset.

Payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

### *Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand and deposits held on call with the bank with maturities of 3 months or less.

### *Trade and other receivables*

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### *Financial assets*

The Company classifies its financial assets into the following four categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables, and
- financial assets at fair value through equity

The classification depends on the purpose for which the investments were required. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case the transaction costs are recognised in the statement of financial performance.

The four categories of financial assets are:

- Financial assets at fair value through profit or loss  
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the statement of financial performance.

Currently the Company does not hold any financial assets in this category.

- Loans and receivables  
These are non-derivative financial assets with fixed determinable payments that are quoted in an active market

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance. Loans and receivables are classified as “trade and other receivables” in the statement of financial position

- Held to maturity investments  
Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains or losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Currently the Company does not hold any financial assets in this category.

- Financial assets at fair value through equity  
Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any other of the categories above.

This category encompasses:

- Investments that the Company intends to hold long-term but which may be realised before maturity;
- Shareholdings that the Company holds for strategic purposes

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of any impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance, even though the asset has not been derecognised.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

Currently the Company does not hold any financial assets in this category.

#### *Impairment of financial assets*

At each balance date the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.



#### *Goods and Service Tax (GST)*

All items in the financial statements are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis.

Net GST recoverable from, or payable to, the IRD is included as part of trade receivables or trade payables in the statement of financial position.

Net GST paid to or received from the IRD, including the GST relating to investing or financing activities, is classified as operating cash flow in the statement of cash flows.

Commitments and contingences are disclosed net of GST

#### *Agency transactions*

The Company acts as an agent with respect to certain transactions between a number of its shareholders and Resident Medical Officers (RMOs).

These transactions do not represent revenue or expenditure for Auckland Regional RMO Services and are not recognised as such in the accounts.

Where funds have been received but have not been distributed under the agency arrangement, this is shown as a current liability in the accounts.

#### *Budget figures*

The budget figures are those approved by the Board at the beginning of the financial year.

The budget figures have been prepared in accordance with Generally Accepted Accounting Practice applying NZ IFRS, and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

#### *Critical accounting estimates and assumptions*

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments within the next financial year are discussed below:

##### *Plant and equipment useful lives and residual values*

At each balance date the Company reviews the useful lives and residual values of its plant and equipment. Assessing the appropriateness of useful life and residual values of plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of financial performance, the carrying amount of the asset in the statement of financial position. The Company minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values.

The carrying amount of plant and equipment is disclosed in note 9.

*Critical judgments in applying ARRMOSS accounting policies*

Management has exercised the following critical judgements in applying ARRMOSS accounting policies for the year ended 30 June 2009:

*Leases classification*

Determining whether a lease agreement is a finance, or an operating lease, requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to ARRMOSS.

Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

ARRMOSS has exercised its judgment on the appropriate classification of the occupation licence and equipment rental and has determined that neither of these arrangements are finance leases.

	2009 ACTUAL \$	2008 ACTUAL \$
<b>3. ARRMOSS operations income</b>		
Funding received from shareholders	2,846,874	1,974,522
Other income	11,675	11,403
Gain on sale of plant and equipment	0	89
	<u>2,858,549</u>	<u>1,986,014</u>
	2009 ACTUAL \$	2008 ACTUAL \$
<b>4. ARRMOSS operations expenditure</b>		
Employee benefit costs	2,091,010	1,565,671
Depreciation	0	1,444
Audit fee: financial statement audit	19,640	11,934
Rent and rates	49,539	36,637
Website	66,630	0
Other	650,512	388,759
	<u>2,877,331</u>	<u>2,004,445</u>

	2009 ACTUAL \$	2008 ACTUAL \$
<b>5. Employee benefit costs</b>		
Salaries and wages	2,059,172	1,550,390
Employer contributions to Kiwisaver	4,171	27
Increase/(decrease) in employee benefit liabilities	27,667	15,254
Total employee benefit costs	2,091,010	1,565,671

	2009 ACTUAL \$	2008 ACTUAL \$
<b>6. Equity</b>		
(a) Share Capital		
Opening balance	100	100
Issued during the year		
Balance at 30 June	100	100

As at 30 June 2009, the company has 100 shares which are fully paid. All shares carry equal voting rights on Poll, or one vote per shareholder present where a vote is by Show of Hands or Voice. If the company is liquidated the liquidator may, by Special Resolution, determine how a division of assets shall be carried out. No shares carry fixed dividend rights.

Shares are held by	Auckland DHB	33
	Counties Manukau DHB	33
	Waitemata DHB	34
		100

	2009 ACTUAL \$	2008 ACTUAL \$
(b) Retained earnings		
Opening balance	1,139	879
Operating surplus	152	260
Accumulated surplus at 30 June	1,291	1,139

	2009 ACTUAL \$	2008 ACTUAL \$
<b>7. Cash and cash equivalents</b>		
Cash at bank and on hand	1,357,073	2,334,434
	<u>1,357,073</u>	<u>2,334,434</u>

The carrying value of cash and cash equivalents approximates their fair value.

	2009 ACTUAL \$	2008 ACTUAL \$
<b>8. Trade and other receivables</b>		
Trade receivables	767,552	68,231
Other receivables	5,385	5,585
Prepayments	0	11,485
GST	0	70,196
	<u>772,937</u>	<u>155,497</u>

The carrying value of receivables approximates their fair value.

All overdue receivables have been assessed for impairment. No receivable was found to be impaired.

	Current	Past Due 1 - 30 days	Past Due 31 - 60 days	Total
30 June 2009	764,118	2,298	1,136	767,552
	99.6%	0.3%	0.1%	100%
30 June 2008	58,573	9,658	0	68,231
	85.8%	14.2%	0%	100%

## 9. Plant and equipment

2009	Opening Cost 1 July 08	Less Disposals	Closing cost 30 June 09	Accumulated Depreciation 1 July 08	Current year depreciation	Accumulated depreciation write back	Closing accumulated depreciation 30 June 09	Carrying amount 30 June 2009
Computer equipment	82,407	0	82,407	82,407	0	0	82,407	0
Fixtures and fittings	28,970	0	28,970	28,970	0	0	28,970	0
<b>Total Assets</b>	<b>111,377</b>	<b>0</b>	<b>111,377</b>	<b>111,377</b>	<b>0</b>	<b>0</b>	<b>111,377</b>	<b>0</b>

2008	Opening Cost 1 July 07	Less Disposals	Closing cost 30 June 08	Accumulated Depreciation 1 July 07	Current year depreciation	Accumulated depreciation write back	Closing accumulated depreciation 30 June 08	Carrying amount 30 June 2008
Computer equipment	82,407	0	82,407	80,963	1,444	0	82,407	0
Fixtures and fittings	29,320	(350)	28,970	29,320	0	(350)	28,970	0
<b>Total Assets</b>	<b>111,727</b>	<b>(350)</b>	<b>111,377</b>	<b>110,283</b>	<b>1,444</b>	<b>(350)</b>	<b>111,377</b>	<b>0</b>

	2009 ACTUAL \$	2008 ACTUAL \$
<b>10. Trade and other payables</b>		
Trade payables	102,116	32,958
Accrued expenses	158,572	76,527
Accrued agency/pool	1,721,672	2,260,615
	<u>1,982,360</u>	<u>2,370,100</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

	2009 ACTUAL \$	2008 ACTUAL \$
<b>11. Employee benefit liabilities</b>		
Accrued salaries and wages	52,567	54,297
Annual leave	93,692	64,295
	<u>146,259</u>	<u>118,592</u>
Comprising:		
Current	146,259	118,592
Non-current	0	0
	<u>146,259</u>	<u>118,592</u>

	2009 ACTUAL \$	2008 ACTUAL \$
<b>12. Reconciliation of net surplus after taxation with net cash flow from operating activities</b>		
Net surplus	152	260
Add/(less) non cash items		
Depreciation	0	1,444
Loss on disposal of plant and equipment	0	0
Total non cash Items	0	1,444
Add/(less) movements in working capital items:		
(Increase)Decrease in trade and other receivables	(617,440)	508,026
Increase/(Decrease) in trade and other payables	(360,073)	670,985
Net working capital movement	(977,513)	1,179,011
Net cash flow from operating activities	(977,361)	1,180,715

### 13. Contingent liability

No contingent Liabilities existed at balance date. (2008: \$Nil)

### 14. Commitments

There were no capital commitments at 30 June 2009. (2008:\$Nil)

Operating commitments exist in relation to rental premises see note 16.

## 15. Related party transactions

Auckland Regional RMO Services performs services for its shareholders Auckland District Health Board, Counties Manukau District Health Board and Waitemata District Health Board. All transactions with shareholders are conducted on an arms length basis and no related party debts have been written off or forgiven during the year. Transactions include both operating and reimbursement pool services.

	2009 ACTUAL \$	2008 ACTUAL \$
<b>Transactions with related parties</b>		
<u>Auckland District Health Board</u>		
Services provided to Auckland DHB	3,616,683	4,006,860
Amounts payable to Auckland DHB	751,515	1,059,231
Accounts receivable from Auckland DHB	331,636	13,230
<u>Counties Manukau District Health Board</u>		
Services provided to Counties Manukau DHB	2,553,633	2,669,762
Amounts payable to Counties Manukau DHB	457,889	630,143
Accounts receivable from Counties Manukau DHB	252,125	19,107
<u>Waitemata District Health Board</u>		
Services provided to Waitemata DHB	1,965,440	2,013,365
Amounts payable to Waitemata DHB	317,419	486,055
Accounts receivable from Waitemata DHB	172,919	11,640
<b>Key management personnel compensation</b>		
Salaries and other short term employee benefits	314,046	274,104
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	0	0
	314,046	274,104

Key management personnel are the general, operations and recruitment managers.

### Transactions with companies related to directors

During the year ARRMOS paid a seconded employee recharge and a Taleo licence and support fee to Health Alliance Ltd, an administrative support company to the Counties Manukau and Waitemata DHBs. Two directors of ARRMOS, David Davies and Geraint Martin, are also directors of Health Alliance. These services cost \$18,974 (2008:\$35,570) and were supplied on normal commercial terms. There is a balance of \$2,031 (2008: \$1,923) outstanding for unpaid invoices at year end.

	2009 ACTUAL \$	2008 ACTUAL \$
<b>16. Operating lease</b>		
Term Classification of Operating Lease Commitments		
Less than one year	30,174	37,800
One to two years	0	28,350
Two to five years	0	0

The operating lease amount relates to a non-cancelable lease of office premises from ADHB. The lease expires on 31 March 2010 with one right of renewal for a further term of three years. The Company assumes that this right will be exercised. The Company does not have the right to purchase the asset at the end of the lease term.

There are no restrictions placed on the Company by any of its leasing arrangements.

## 17. Financial instruments

Auckland Regional RMO Services Limited is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, trade receivables and trade payables.

The company has a series of policies providing risk management for interest rates and the concentration of credit.

### Interest Rate Risk

The company had no borrowings during the period. There are no interest rate options or interest rate swap agreements in place as at 30 June 2009. (2008: Nil)

### Credit Risk

Credit risk is the risk that a third party will default on its obligation to the company, causing the company to incur a loss. Financial instruments that potentially subject the company to risk consist principally of cash and trade receivables.

The company invests in high quality financial institutions. Accordingly the company does not require collateral or security to support financial instruments with organisations it deals with. Concentration of credit risk with respect to accounts receivable is high due to the reliance on the company's three shareholders for the majority of its operating revenue. However all the company's shareholders are owned by the Crown.

### Fair Value

The fair value for all financial instruments is the same as the book value.

## 18. Post balance date events

There are no post balance date events that affect these accounts.

		2009 ACTUAL \$	2008 ACTUAL \$
<b>19. Categories of financial assets and liabilities</b>			
The carrying amount of financial assets and liabilities in each of the NZ IAS 39 categories are as follows;			
Loans and receivables			
Cash and cash equivalents	7	1,357,073	2,334,434
Trade and other receivables	8	772,937	155,497
		<u>2,130,010</u>	<u>2,489,931</u>
Financial liabilities measured at amortised cost			
Trade and other payables maturing in less than 6 months	10	1,982,360	2,370,100
		<u>1,982,360</u>	<u>2,370,100</u>

## 20. Reimbursement pool distributions

ARRMOS acts as agent on behalf of its shareholders in respect to RMO reimbursements.

During the year ended 30 June 2009 ARRMOS collected \$4,691,855 (2008: \$7,875,847) from shareholder companies in relation to RMO reimbursements.

This includes an opening balance brought forward of \$2,224,226 (2008: \$1, 526,448) of which \$5,501,440 (2008: \$5,651,621) was distributed to RMOs during the year.

The balance of \$1,456,347 (2008: \$2,224,226) is included in trade and other payables in the Financial Statements.

## 21. Employees' remuneration

Three employees received remuneration during the year of \$100,000 or greater. (2008: 2). In two of these cases the threshold was reached as a result of severance and redundancy payments made. See note 22.

	2009 ACTUAL	2008 ACTUAL
\$110,000 - \$119,999	1	0
\$120,000 - \$129,999	1	1
\$150,000 - \$159,999	1	1

## **22. Severance payments**

ARRMOS made 3 severance payments during the year. (2008: 1)

The total value of severance payments made was \$33,500. (2008: \$17,950)

## **23. Capital management**

ARRMOSs capital is its equity, which comprise share capital and retained earnings. Equity is represented by net assets.

ARRMOS is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

ARRMOS manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure it effectively achieves its objectives and purpose, whilst remaining a going concern.

## **24. Explanation of major variances against budget**

### **Statement of financial performance**

Income and expenditure were both in line with budget. The profit variance to budget of \$11,348 occurred as a result of budgeted CAPEX of \$16,000 (offset by \$4,500 depreciation) not being incurred as the project concerned was put on hold. This \$16,000 was then utilised in other areas of the business and was expensed through the profit and loss account rather than being capitalised.

### **Statement of financial position**

The movement from quarterly funding invoices to monthly funding invoices for both operational and RMO reimbursement recharges has caused large variances to budget in all areas of the balance sheet. This movement to monthly invoicing was not contemplated at the time the budget was set.

### **Statement of cash flows**

A large variance occurred in agency funding receipts and related to:

- a movement from quarterly funding in advance for RMO expenditure to a monthly recharge in arrears. The budget anticipated \$1,275,000 funding for the June – August quarter to be received in June 2009. However this didn't occur as June - August funding will not be received until July, August and September respectively under the new arrangement.
- overall funding was reduced due to the increase in vacancies across the region.

This was offset by a decrease in agency expenditure as a result of a decrease in RMO claims due to the level of vacancies currently being experienced

## **25. Good Employer Responsibilities**

ARRMOS is committed to implementing the obligations to be a 'good employer' under the Crown Entities Act 2004, and to developing and implementing equal employment opportunities for all.