



AUCKLAND
REGIONAL RMO
SERVICES LTD

15/9/11
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Annual Report

For the Year Ended 30 June 2011

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 Services Ltd (ARRMOS) annual report for the year ended 30 June 2011.

This Annual Report has been prepared by ARRMOS 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 2010/11 by ARRMOS. The agreed performance measures are in the context of the government's strategic and service priorities for the public health and disability sector.

ARRMOS is a not-for-profit limited liability Company wholly-owned by the Waitemata District Health Board (WDHB), Auckland District Health Board (ADHB) and Counties Manukau District Health Board (CMDHB).

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:

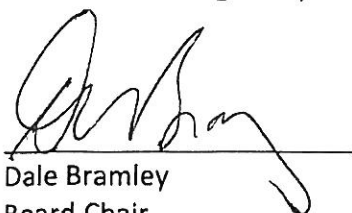
- All services related to the recruitment, selection and allocation of RMOs,
- Maintenance of a regional RMO database
- Analysis and reporting of regional trends,
- Information provision for Health Workforce New Zealand (HWNZ) funding contracts
- Administration services for rostering, leave management, 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.

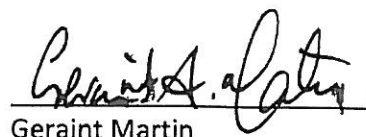
RMOs:

- Administrative services for all matters related to employment such as induction, orientation, rostering, leave management, additional payment claims and payroll liaison.
- 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



Dale Bramley
Board Chair

15 September 2011



Geraint Martin
Director

15 September 2011

ARRMOS Vision July 2010

Mission Statement:

To be the national benchmark organisation for the New Zealand RMO environment by providing vocationally registered SMOs to stakeholders sufficient to meet future workforce requirements.

Vision:

To work in partnership with stakeholders to set the strategic direction for the RMO environment and to operationalise that by:

1. working together with stakeholders as one business.
2. providing leadership to stakeholders on all matters relating to RMOs through the Operational Management Group.
3. ARRMOS and the RTC working with stakeholders to meet the day to day requirements of the business and to implement longer term change processes as directed by OMG and the Board.

Objectives

1. To have defined relationships with shareholders and stakeholders.
2. To create an environment where Auckland is consistently the region of choice for RMOs whilst respecting our obligations to DHBs outside the region.
3. To support the DHBs to implement strategies developed by OMG after consultation with stakeholders.
4. To provide consistent:
 - a. Expertise in RMO Administration.
 - b. Excellent customer service to RMOs and DHBs.
 - c. Adherence to, and development of, regionally agreed processes.
5. To continuously improve the training environment for RMOs to facilitate their achievement of vocational registration in the most efficient manner possible.
6. To retain RMOs by implementing national, regional and local workforce initiatives to ensure the ongoing provision of high quality specialist workforce.

**ARRMOS Values
July 2010**

Value	Attribute	Behaviour
Integrity	<ul style="list-style-type: none"> - Trust - Respect - Honest - Fair - Transparent 	<ul style="list-style-type: none"> - Developing and following clear processes - Ownership of issues - Clear communication / expectations / accountability - Consistent application of policies and procedures
Commitment	<ul style="list-style-type: none"> - Desire to work in public health - Pride in ARRMOS - Focus on RMOs and DHBs 	<ul style="list-style-type: none"> - Participation and engagement - Business development - Delivery on outcomes - Promoting the business
Healthy Environment	<ul style="list-style-type: none"> - Enjoyment of the work environment and the contributions of colleagues - Valuing shared experiences - Balancing work and home life 	<ul style="list-style-type: none"> - Pursuit of positive team dynamics - Insight into the reasons behind our own and others behaviours - Supporting each other across the business - Acknowledging performance positively - Respect for differences
Professionalism	<ul style="list-style-type: none"> - Cultural sensitivity - Diplomacy - Knowledgeable - Expert 	<ul style="list-style-type: none"> - Work collaboratively with stakeholders - Continuous improvement - Share knowledge - Invest in learning - Right person / right place / right time

2. General Manager's Report

2.1. General

ARRMOS 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 ARRMOS 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 2011. 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 ARRMOS 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)
- ARRMOS Annual Plan (AP)
- ARRMOS 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 2011, with non-financial performance measures and targets for both 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 2011 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 2011.

2.3. Our People

This section describes the geographical area in which ARRMOS operates. 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 2011.

Workforce Information

ARRMOS provided support services to a Resident Medical Officer population approximately 1,100 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 the region is 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 differs from most other workforces in that it was:

- young, with an average age of 32 years
- approximately 51% male and 49% female
- African 2%
- Asian 40%
- European 22%
- Middle Eastern 3%
- NZ European 26%
- NZ Maori 2%
- Pacific Island 2%
- Not disclosed 2%
- relatively well remunerated as compared to other NZ health workforces with salaries being anywhere between \$53,000 and \$166,000 depending on hours worked and level of experience.
- Undertaking post graduate education of 7-9 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 population base and use of the Auckland region as a centre for the delivery of national services means that it was able to provide some of the best and most complex medical training environments in New Zealand and we were 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 between 2007 and 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 the company leads the country.

2.4. Nature and Scope of Activities

The activities of our Company fell into two groups:

- Governance
- Provision of Services.

2.4.1 Company Governance

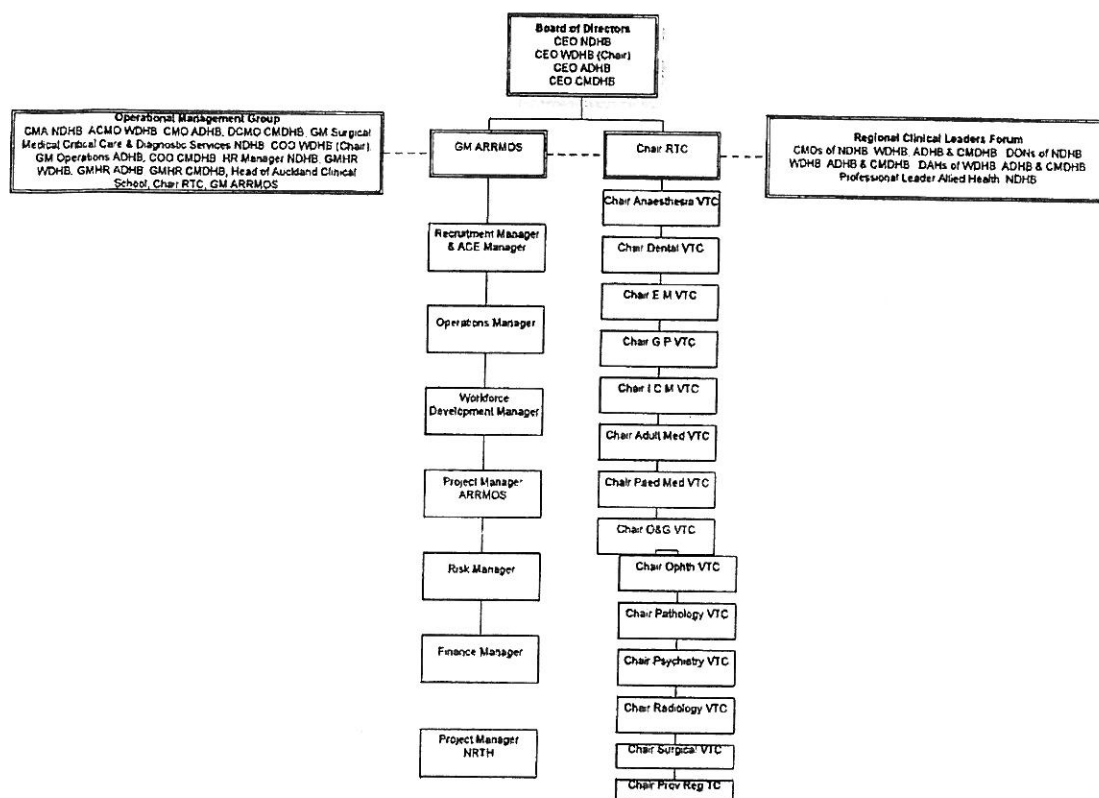
The governance structure for the Company is set out in the Companies Act 1993. The Board consisted of three members being the Chief Executives of the three shareholder DHBs and they had overall responsibility for the operation of ARRMOS. The Board delegated matters to the General Manager of our Company 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 2011.

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.

2.4.2 Managing Organisational Health and Capability

Organisational structure as at 30 June 2011:



During the year ended 30 June 2011 the benefits of the enhancements made to the organisation's key performance indicators as outlined in the 2010 /2011 Statement of Intent were apparent to the region. The Regional Training Committee took steps to understand in detail the number of trainees not progressing according to College mandated timelines. Regular reporting has been implemented as a first step towards tighter performance management of trainees. The recruitment function increased the number of new starts beyond the traditional ceiling of 434 per annum by delivering 462 new starts resulting in an annual average vacancy rate of 7%, below the target of 10%. The regional Operations structure continued to provide RMOs with a more consistent administrative experience as they rotate between the different DHBs as planned. This was reinforced by the introduction of an additional regional team leader in order to enhance the level of support offered. However, the outstanding success of the revised KPIs continues to be the specialist roster team. Although it was expected that the creation of this team would unlock inefficiently used resources from the RMO Units, what was not expected was just how much pent up demand for change existed in the DHBs. During the first year of operation (2009/2010) the DHBs implemented 67 run reviews (an increase in itself from the single review conducted the year before) positively impacting training for 20% of the workforce and 33% of the run descriptions. The key component of the change process introduced during 2009/10 was that change would be managed to an annual cycle in order to ensure that training outcomes for the coming year are delivered in a stable industrial environment. This process is now embedded in the business as usual culture of the DHBs with approximately 100 new run descriptions implemented in December 2010. More change to enhance training is planned for 2012, and the team is already in the process of working with the DHBs to facilitate agreed outcomes.

Quality and Safety

The management of serious risks to the quality and delivery of services within ARRMOS 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 improved levels of satisfaction for stakeholders who directly interact with ARRMOS employees and RTC members over the 2009 result. To improve satisfaction amongst stakeholders who have less direct involvement with RMO education and training regular attendance at DHB CD and ASMS JCC forums has been implemented. ARRMOS management attendance at DHB management forums, which was a key outcome of the 2008 customer satisfaction survey continued to ensure most operational issues were resolved at the lowest possible level in the combined organisations.

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 ad hoc reviews of the RMO Support Unit Manual and the RMO Payroll Processes Manual were completed in response to unforeseen issues occurring. A major project reviewing the implementation and adherence to documented processes for daily operations was also completed in response to stakeholder requests. The project has identified that even with vacancy rates of up to 12%, less than 1% of all rostered RMO duties are vacant 'on the day'. Notwithstanding this a number of recommendations for improvement have been made, key to which is the implementation of a database to reduce the potential for human error when managing thousands of shifts on manual spreadsheets.

Data Integrity which had previously been identified as a significant risk to the quality and delivery of services by ARRMOS was addressed during the year with further improvements to automated auditing reports of the Dr WHO database. Report automation was also further developed particularly in relation to run feedback reports resulting in improved accuracy of reported results. Administration of HWNZ funding has been regionalised making the 100% audit process simpler to implement and resulting in

improved contracted volumes entered against runs to maximise access to funding. Run information is linked to College prescribed Specialty and Subspecialty to ensure a training framework is wrapped around all run information. Salary category and run review history is also captured. Entry information is now captured in addition to exit information resulting in improved understanding of why RMOs enter and leave the region enabling ARRMOS and the DHBs to target areas for improvement more specifically.

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 ARRMOS was carried out primarily through the strategic & annual business planning cycle undertaken on schedule in November 2010 and the annual budget cycle which commenced in November 2010 and continued through into March 2011. The final budget agreed at the March Board meeting being a 1.72% increase on the 2010/2011 budget. 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 ARRMOS model is the development of its people. Over the past twelve months continued 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, rostering, daily operations and workforce development teams 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 the teams will be to increase the organisation's functionality and lower turnover by promoting employees internally. This has been implemented in the recruitment team ensuring a smooth transition from incumbents to new staff and minimal disruption to achievement against KPIs. All team members have an individual personal development plan and progress against goals has been measured.

Additional areas identified for improvement were related to improving and maintaining relationships with key partners in the DHBs. Individuals were identified in RMO, management, clinical leadership and human resources roles and building on these relationships played a strong part in the implementation of the recruitment and retention strategies the organisation introduced during 2010/11. Implementation of retention strategies was largely DHB lead with specialist input from ARRMOS and Regional Training Committee staff. Key to this development was the workforce development team's proactive use of run feedback information as a means of setting standards and driving performance improvement processes with clinical leaders in the DHBs. The ARRMOS OMG also lead managers, clinical leaders and other DHB in the drive to value RMOs by allowing the development of new runs primarily for training purposes only and limiting the number of new runs to ensure that the supply of medical undergraduates and post graduates is closely aligned wherever possible. The OMG also pursued the development of new and extended scopes of practice as a means of diverting demand for medical services into alternative delivery models. It also continued to implement a strong focus

on equitable distribution of runs between the DHBs accompanied by a much stronger focus on the performance of individual training programmes as measured by the % of RMOs not progressing through training as the College expects them to.

Information Services

The main office of the Company is located on an ADHB 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 further automation of a number of standard reports, including the run feedback reporting process. Finally the company has continued to be heavily involved in the regional rostering project (RiTA) and will be one of the project's main beneficiaries. The company continues to initiate 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 next three years we will implement our obligations to be a 'good employer' and develop and implement equal employment opportunities for all. 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 ensure our people management practices evolve to be ready for this. Our people are essential to ensure we maintain excellence and a high level of performance and results.

We plan to review our workforce profile, analyse our current situation, identify gaps and issues of concern, take action to address these issues, evaluate the effectiveness of these actions and plan future actions in order to ensure we have eliminated any discrimination and unintended barriers to equal opportunities. This will assist us in ensuring we have productive and talented staff who reflect the wider community. Delivering on our stated outcomes requires excellent leadership, people, culture, relationships and processes to be in place. The success of this objective will be measured by a change in our profile to more closely reflect the wider community and an improvement in staff morale, confidence and relationships in the organisation as well as staff perception of fairness and equity.

Over the next 12 months we will begin this process by developing and reviewing a profile of the organisation's staff and analysing its representativeness. We will consult with staff on issues of concern and ideas for improvements. We will conduct a thorough analysis of our profile, HR statistics, existing policies, practices, documents and systems in all areas of the business to audit equal opportunities in recruitment, appointment, development, promotion and remuneration. This will place us in an excellent position to take the most appropriate action (in the following year) to do everything we can to ensure all groups have fair and equal opportunities.

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 0% per annum. The DHB shareholders created 11 new positions and disestablished 14 (0.5%) for the 2011 training year.
- Reporting and managing the growth of alternative workforces for the region with the aim of increasing these at the rate of 2% per annum. The DHB stakeholders created 68 new positions (3%) in the Medical Officer and Senior Nursing workforces.
- Reporting and managing against vacancy rates by DHB, specialty and RMO type with the aim of maintaining vacancies at no more than 10% on average across the financial year. The average monthly vacancy rate during the course of the 2010/11 year was 7%, which represents a decline from 2009/10 when the average vacancy rate was 13% and 2008/09 when the vacancy rate averaged 16% per month.
- 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 2010 training year. A 55% reduction in the cost of cover was achieved with cover costs reducing from \$20 million to \$11 million. The rates paid to all RMOs were aligned with MECA requirements (which have increased from 2006 levels) from August 2010 and this combined with much reduced vacancy levels significantly reduced the cost of cover reduce to amounts equivalent to what would have been spent in 2006/07 had the rates remained static.
- Reporting against total spend per hire with the aim of maintain this between \$750 and \$1,250 per hire was achieved with a cost per hire of \$1,024 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 \$472,865 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 company has continued the reversal of the temporary trend for RMOs to exit the region with a positive inflow of 83 RMOs into the three DHBs during the 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 two runs consistently scoring less than the benchmark during the 2010 training year to date.
- Reporting and managing against the annual budget for the Company with the aim of returning an annual result of zero profit or loss was achieved with a positive variance of \$410 recorded against budget.

2.5. DHB and Intersectoral Collaboration

National

ARRMOS worked with all 20 DHBs through District Health Boards New Zealand to provide the deliverables outlined in the 2010 Advanced Choice of Employment (ACE) contract. This contract which ARRMOS 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.

The organisation has also led the implementation of a process to ensure more formal coordination of approach to RMO Administration nationally. Four regional representatives meet on a 6 weekly basis to generate solutions to operational issues of common concern. The regional group sits on the national locum bureau steering committee and has guided the development of a proposal to implement a DHB locum agency. The full group has also been used by the national employment relations team to work up a common DHB response to the working party requirements of the 2011 RMO MECA.

The GM ARRMOS and COO WDHB have worked with the national COO forum to implement a national RMO position management policy and procedure.

Regional

ARRMOS 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.

HWNZ is requiring all DHBs to work together regionally to provide post graduate education for clinical workforces in a more consistent and efficient manner. The Board of Directors has resolved to use ARRMOS as the core of the Northern Regional Training Hub. The scope of the organisation's activities will therefore expand over time to include involvement in nursing and allied health workforces. The shareholders agreement has been revised to reflect this and as the northern region includes the Northland District Health Board the CEO of NDHB has been included as a fourth Director of the Company. The shareholding will remain unchanged. The GM and Chair of the Regional Training Committee are now also be responsible to the regional clinical leaders forum for oversight of education and training as well as to the OMG.

Shared Support Agencies

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



Peter Guthrie
General Manager
15 September 2011

3. Financial Statements

3.1 Directory

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

Board Chair

Dale Bramley Appointed director 4 July 2011
Appointed Board chair 4 July 2011

Directors

Garry Smith
Geraint Martin
Karen Roach Appointed 20 May 2011
David Davies Resigned 4 July

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

In respect of the year ended 30 June 2011, the directors of Auckland Regional RMO Services Limited submit the following report:

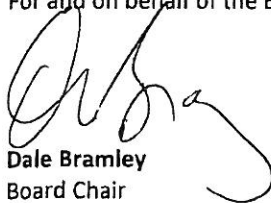
The names of the directors who held office during the year

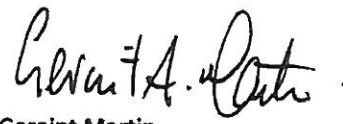
David Davies
Garry Smith
Geraint Martin
Karen Roach

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 no transactions during the year with companies in which any director had an interest.
- **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 \$21,060 was paid and/or accrued to Audit New Zealand for the 30 June 2011 year end audit. (2010: \$20,470)
- **Changes in Accounting Policy**
There have been no changes in accounting policy.

For and on behalf of the Board


Dale Bramley
Board Chair
15 September 2011


Geraint Martin
Director
15 September 2011

3.3 Statement of Responsibility
FOR THE YEAR ENDED 30 JUNE 2011

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 both financial and non 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 2011, fairly reflect the financial position and operations of Auckland Regional RMO Services Limited.

For and on behalf of the Board



Dale Bramley
Board Chair
15 September 2011



Geraint Martin
Director
15 September 2011

3.4 Statement of Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	2011 ACTUAL \$	2011 BUDGET \$	2010 ACTUAL \$
Income:				
Funding from shareholders		2,821,837	2,821,837	2,821,837
Interest income		7,235	15,000	6,815
Other income		50,518	8,043	33,045
Total income		2,879,590	2,844,880	2,861,697
Expenditure				
ARRMOS operations	3	2,879,180	2,844,880	2,861,514
Finance costs		0	0	0
Total expenditure		2,879,180	2,844,880	2,861,514
Surplus		410	0	183
Other comprehensive income		0	0	0
Total comprehensive income		410	0	183
Allocation of total comprehensive income:				
Attributable to shareholders		410	0	183

Explanations of major variances to budget are detailed in note 23

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

3.5 Statement of Financial Position

AS AT 30 JUNE 2011

	NOTES	2011 ACTUAL \$	2011 BUDGET \$	2010 ACTUAL \$
Equity				
Share capital	5a	100	100	100
Retained earnings	5b	1,884	1,870	1,474
Total Equity		1,984	1,970	1,574
Represented by:				
Current Assets				
Cash and cash equivalents	6	1,038,741	1,335,877	1,236,612
Debtors and other receivables	7	1,198,472	811,921	846,776
Total Current Assets		2,237,213	2,147,798	2,083,388
Non Current Assets				
Plant and equipment	8	1,036	0	1,659
Total Non Current Assets		1,036	0	1,659
Total Assets		2,238,249	2,147,798	2,085,047
Current Liabilities				
Creditors and other payables	9	2,055,293	1,967,566	1,912,483
Employee entitlements	10	180,972	178,262	170,990
Total Current Liabilities		2,236,265	2,145,828	2,083,473
Total Liabilities		2,236,265	2,145,828	2,083,473
NET ASSETS		1,984	1,970	1,574

Explanations of major variances to budget are detailed in note 23.

The accompanying notes form an integral part of these financial statements

3.6 Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2011

	2011 ACTUAL \$	2011 BUDGET \$	2010 ACTUAL \$
Equity at beginning of the year	1,574	1,970	1,391
Net surplus for the year	410	0	183
Total comprehensive income.	410	0	183
Equity at end of the year	1,984	1,970	1,574

The accompanying notes form an integral part of these financial statements



3.7 Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2011

		2011 ACTUAL \$	2011 BUDGET \$	2010 ACTUAL \$
	NOTES			
Cash flows from operating activities				
Receipts from DHBs		2,821,837	2,821,837	2,821,837
Other Income		58,383	8,043	25,000
Interest received		7,235	15,000	6,815
Agency funding receipts & interest		7,343,467	6,166,500	6,762,125
Recharges		31,264	93,976	133,677
Net GST		21,137	0	(9,564)
Employee costs		(1,996,505)	(2,204,645)	(1,974,716)
Interest paid		0	0	0
Other operating costs		(897,572)	(635,955)	(958,837)
Agency distributions		(7,542,212)	(6,166,500)	(6,804,401)
Invoices paid then recharged		(44,905)	(94,021)	(120,531)
Net cash from operating activities	11	(197,871)	4,235	(118,595)
Cash flows from investing activities				
Purchase of plant and equipment		0	0	(1,866)
Net cash from investing activities		0	0	(1,866)
Net Increase/ (decrease) in cash and cash equivalents		(197,871)	4,235	(120,461)
Cash and cash equivalents at the beginning of the year		1,236,612	1,331,642	1,357,073
Cash and cash equivalents at the end of the year	6	1,038,741	1,335,877	1,236,612

Explanations of major variances to budget are detailed in note 23.

The accompanying notes form an integral part of these financial statements

3.8 Statement of Service Performance
FOR THE YEAR ENDED 30 JUNE 2011

This statement summarises for the year ended 30 June 2011, the actual performance of ARRMOS against the performance standards set out in the ARRMOS 2010/2011 Statement of Intent.

OUTCOME	
To be the national benchmark organisation for the New Zealand RMO environment by providing vocationally registered SMOs to stakeholders sufficient to meet future workforce demand.	
Key Performance Indicator	Actual Performance
Operational Management Group <i>Manage change to RMO positions within the existing establishment of 1,091 positions.</i> <i>Meet demand for increased service delivery by increasing Medical Officers, Nurse Practitioners, Nurse Specialists and Physician Assistants.</i>	
Work to align undergraduate, post graduate and vocational registrant numbers with workforce planning and development requirements by implement the agreed procedure for management of RMO FTE.	Achieved (2010: Achieved) As at 30 June 2011, established positions were 1,078. The DHB shareholders created 11 new positions and disestablished 14 positions during the 2011 training year.
Divert demand for service RMO positions to alternative workforces by growing those workforces by 2% p/a	Achieved (New measure) Alternative workforce positions have increased by 68 during the financial year – an increase of 3%
Recruitment <i>Reduce the current RMO vacancy rate of 10%</i>	
Recruit 500 RMOs to the regional training programme annually.	Not Achieved (2010: Achieved) 462 RMOs recruited. However, vacancy rate has reduced from 13% to 7% - which is under the target of 10%
Ensure effective use of financial resources by managing the cost per hire between a range of \$750 - \$1,250	Achieved (2010: Achieved) Cost per hire = \$1,024

Key Performance Indicator	Actual Performance
Workforce	
<i>Reduce the numbers of RMOs resigning from the Auckland regional training programme (excluding RMOs who resign to become SMOs or who are rotated to an employer outside the region by a professional College).</i>	
Improve the quality of RMO training by providing meaningful run feedback to the three DHBs following the completion of each run.	Achieved (2010: Achieved) All run feedback completed and provided to the DHBs on schedule.
Interpret results of run feedback and lead the improvement process in conjunction with the DHBs by improving runs where results consistently score less than 3.5 / 5.0.	Achieved (2010: Achieved) Two runs have scored consistently lower than 3.5/5.0 during the past year. The deputy CMO at the applicable DHBs have been advised of the situation and performance improvement plans are being developed.
Operations	
<i>Ensure that RMOs are allocated to runs which enable them to gain vocational registration in the shortest possible timeframe</i>	
Ensure that 90% of House Officers on the Dr Who database are listed as being year 3 or less.	Achieved (2010: Achieved) 91.8% listed as year 3 or less
Ensure that 90% of Registrars on the Dr Who database are listed as being year 9 or less.	Achieved (2010: Achieved) 92.6% listed as year 9 or less

3.9 Output Class Summary FOR THE YEAR ENDED 30 JUNE 2011

	2011 ACTUAL \$	2011 BUDGET \$	2010 ACTUAL \$
Income:			
Funding from shareholders	2,821,837	2,822,000	2,821,837
Interest income	7,235	15,000	6,815
Other income	50,518	8,000	33,045
Total income	2,879,590	2,845,000	2,861,697
Expenditure by Output Class			
Operational Management Group	1,059,292	1,048,000	1,066,903
Operations	1,318,245	1,253,000	1,217,198
Recruitment	501,643	544,000	577,413
Total expenditure	2,879,180	2,845,000	2,861,514
Surplus	410	0	183

3.10 Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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 of 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).

The financial statements of the Company are for the year ended 30 June 2011. The financial statements were approved by the Board of Directors on 15 September 2011.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate to public benefit entities.

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

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Auckland Regional RMO Services Limited is New Zealand dollars (NZD).

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Early adopted amendments to standards

The following amendments to standards have been early adopted:

NZ IAS 24 *Related Party Disclosures (Revised 2009)*

The effect of early adopting the revised NZ IAS 24 is:

- more information is required to be disclosed about transactions between ARRMOS and entities controlled, jointly controlled, or significantly influenced by the Crown;
- commitments with related parties require disclosure;
- information is required to be disclosed about any related party transactions with Ministers of the Crown.

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 or receivable.

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 three months or less.

Debtors and other receivables

Debtors 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 the statement of comprehensive income
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 acquired. 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 the statement of comprehensive income in which case the transaction costs are recognised in the statement of comprehensive income.

The four categories of financial assets are:

- Financial assets at fair value through the statement of comprehensive income.
This category has two sub-categories: financial assets held for trading, and those designated at fair value through the statement of comprehensive income 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 where hedge accounting is applied. 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 comprehensive income.

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 not 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 comprehensive income. Loans and receivables are classified as "debtors 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 comprehensive income.

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 comprehensive income. In the event of any impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of comprehensive income, 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 comprehensive income.

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 comprehensive income.

is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent the Company anticipates it will be used by staff to cover those future absences.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are:

- share capital;
- retained earnings;

Goods and services tax (GST)

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

Net GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of debtors and other receivables or creditors and other 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 NZ GAAP 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 comprehensive income, 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 8.

Critical judgments in applying ARRMOs' accounting policies

Management has exercised the following critical judgements in applying ARRMOs' accounting policies for the year ended 30 June 2011:

Leases classification

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

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.

ARRMOs 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.



	Note	2011 ACTUAL \$	2010 ACTUAL \$
3. ARRMOS operations expenditure			
Employee benefit costs	4	2,005,261	1,999,814
Depreciation		622	207
Audit fee: financial statement audit		21,060	20,470
Rent and rates		60,492	57,050
Website		15,887	26,876
Other		775,858	757,097
		<u>2,879,180</u>	<u>2,861,514</u>

4. Employee benefit costs

Salaries and wages	1,975,138	1,961,908
Employer contributions to Kiwisaver	20,141	13,175
Increase/(decrease) in employee benefit liabilities	9,982	24,731
Total employee benefit costs	<u>2,005,261</u>	<u>1,999,814</u>

5. Equity

(a) Share Capital

Opening balance	100	100
Issued during the year	0	0
Balance at 30 June	<u>100</u>	<u>100</u>

As at 30 June 2011, 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	<u>34</u>
		100

(b) Retained earnings

Opening balance	1,474	1,291
Operating surplus	410	183
Accumulated surplus at 30 June	<u>1,884</u>	<u>1,474</u>

	Note	2011 ACTUAL \$	2010 ACTUAL \$
6	Cash and cash equivalents		
	Cash at bank and on hand	<u>1,038,741</u>	<u>1,236,612</u>
		<u>1,038,741</u>	<u>1,236,612</u>

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

7. Debtors and other receivables

Debtors	1,170,885	813,596
Other receivables	675	1,156
Prepayments	26,912	1,800
Roadshow	0	30,224
	<u>1,198,472</u>	<u>846,776</u>

The carrying value of receivables approximates their fair value.

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

The ageing profile of debtors at year end is detailed below:

	Current	Past Due 1 - 30 days	Past Due 31 - 90 days	Total
30 June 2011	1,165,005 99.5%	3,973 .3%	1,907 .2%	1,170,885 100%
30 June 2010	804,545 98.9%	9,051 1.1%	0 0%	813,596 100%

8. Plant and equipment

Movements for each class of plant and equipment are as follows:

	Opening Cost 1 July 10	Add additions	Less Disposals	Closing cost 30 June 11	Accumulated Depreciation 1 July 10	Current year depreciation	Accumulated depreciation write back	Closing accumulated depreciation 30 June 11	Carrying amount 30 June 2011
Office equipment	30,836		(21,170)	9,666	29,177	622	(21,169)	8,630	1,036
Computer equipment	82,407		(68,305)	14,102	82,407		(68,305)	14,102	0
Total Assets	113,243		(89,475)	23,768	111,584	622	(89,474)	22,732	1,036

	Opening Cost 1 July 09	Add additions	Less Disposals	Closing cost 30 June 10	Accumulated Depreciation 1 July 09	Current year depreciation	Accumulated depreciation write back	Closing accumulated depreciation 30 June 10	Carrying amount 30 June 2010
Office equipment	28,970	1,866	0	30,836	28,970	207	0	29,177	1,659
Computer equipment	82,407	0	0	82,407	82,407	0	0	82,407	0
Total Assets	111,377	1,866	0	113,243	111,377	207	0	111,584	1,659

	Note	2011 ACTUAL \$	2010 ACTUAL \$
9. Creditors and other payables			
Creditors		27,036	50,039
Accrued expenses		231,319	140,040
Accrued agency/pool		1,796,938	1,722,404
		<u>2,055,293</u>	<u>1,912,483</u>

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

10. Employee entitlements

Accrued holiday pay		109,793	111,490
Accrued salaries		71,093	59,500
Accrued sick leave		86	0
		<u>180,972</u>	<u>170,990</u>
Comprising:			
Current		180,972	170,990
Non-current		0	0
		<u>180,972</u>	<u>170,990</u>

11. Reconciliation of net surplus after taxation with net cash flow from operating activities

Net surplus		<u>410</u>	<u>183</u>
Add/(less) non cash items			
Depreciation		622	207
Loss on disposal of plant and equipment		0	0
Total non cash items		<u>622</u>	<u>207</u>
Add/(less) movements statement of financial position items			
Debtors and other receivables		(351,696)	(73,839)
Creditors and other payables		142,810	(69,877)
Employee entitlements		9,983	24,731
Net working capital movement		<u>(198,903)</u>	<u>(118,985)</u>
Net cash flow from operating activities		<u>(197,871)</u>	<u>(118,595)</u>

12. Contingent liability

No contingent Liabilities existed at balance date. (2010: Nil)

13. Commitments

There were no capital commitments at 30 June 2011. (2010: Nil)
Operating commitments exist in relation to rental premises see note 15.

14. Related party transactions

ARRMOS has a RMO Support Unit on site at Middlemore hospital and Auckland City hospital. At these sites the DHBs have chosen not to allocate a rental charge as the cost would be directly recharged back to them as part of the ARRMOS operational funding invoices. All other related party transactions have been entered into on an arms length basis and no related party debts have been written off or forgiven during the year.

Significant transactions with government-related entities

Auckland Regional RMO Services performs services for its shareholders Auckland District Health Board, Counties Manukau District Health Board and Waitemata District Health Board. Transactions include both operating and reimbursement pool services.

	Note	2011 ACTUAL \$	2010 ACTUAL \$
Transactions with related parties			
<i>Auckland District Health Board</i>			
Services provided to Auckland DHB		4,552,309	4,268,495
Amounts payable to Auckland DHB		722,459	686,783
Accounts receivable from Auckland DHB		478,198	343,143
<i>Counties Manukau District Health Board</i>			
Services provided to Counties Manukau DHB		3,308,197	3,075,435
Amounts payable to Counties Manukau DHB		455,956	464,615
Accounts receivable from Counties Manukau DHB		338,997	261,321
<i>Waitemata District Health Board</i>			
Services provided to Waitemata DHB		2,447,152	2,270,377
Amounts payable to Waitemata DHB		331,573	342,178
Accounts receivable from Waitemata DHB		259,517	191,335
Key management personnel compensation (General, operations, recruitment managers)			
Salaries and other short term employee benefits		374,193	359,715
Post-employment benefits		0	0
Other long-term benefits		0	0
Termination benefits		0	0
		<u>374,193</u>	<u>359,715</u>

Transactions with related companies

During the 2011 year ARRMOS did not have any transactions with Health Alliance Ltd, an administrative support company to the Counties Manukau and Waitemata DHBs. Two directors of ARRMOS, David Davies and Geraint Martin, were directors of Health Alliance as at 30 June 2011. These services cost \$7,718 in 2010 and were supplied on normal commercial terms.

During the 2011 year ARRMOS did not have any transactions with O'Carroll Medical Services Limited, a company owned by the Regional Training Committee chair, Mark O'Carroll. These services cost \$4,125 in 2010 and were supplied on normal commercial terms.

	2011 ACTUAL \$	2010 ACTUAL \$
15. Operating lease as a lessee		
Term Classification of Operating Lease Commitments		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0

The operating lease amount relates to a non-cancelable lease of office premises from ADHB in the normal course of business. The lease expired on 31 March 2010 with one right of renewal for a further term of three years. The Company will exercise this right; however it has yet to receive a revised lease from ADHB to this effect. The Company continues to pay rent monthly, on invoice. 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.

16. 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, debtors and other receivables and creditors and other 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 2011. (2010: 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 debtors.

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.

17. Post balance date events

At the ARRMOS Board meeting of 14 July 2011, it was resolved to change the name of the company from ARRMOS to Northern Regional Training Hub Limited, effective 1 September 2011. Over time this will lead to the company becoming more multidisciplinary in its focus, though RMO support will remain the core of the company's business.

	2011 ACTUAL \$	2010 ACTUAL \$
18. Categories of financial assets and liabilities		
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	1,038,741	1,236,612
Debtors and other receivables	1,198,472	846,776
	<u>2,237,213</u>	<u>2,083,388</u>
Financial liabilities measured at amortised cost		
Creditors and other payables maturing in less than 6 months	2,055,293	1,912,483
	<u>2,055,293</u>	<u>1,912,483</u>
19. Reimbursement pool distributions		
ARRMOS acts as agent on behalf of its shareholders in respect to RMO reimbursements.		
During the year ended 30 June 2011 ARRMOS collected \$7,432,539 (2010: \$6,702,680) from shareholder companies in relation to RMO reimbursements.		
During the year ended 30 June 2011 reimbursements of \$7,442,221 (2010: \$6,709,793) were made to RMOs.		
The reimbursement pool balance of \$1,456,607 (2010: \$1,456,920) is included in creditors and other payables in the Financial Statements.		
20. Employee remuneration		
Total remuneration paid or payable		
\$100,000 - \$109,999	2	2
\$150,000 - \$159,999	0	1
\$160,000 - \$169,999	1	0
21. Severance payments		
Number of severance payments made	1	1
Value of severance payments made	8,062	5,769

22. 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.

23. Explanation of major variances against budget

Statement of comprehensive income

Other income higher than budget due to ARRMOS coordinating national attendance at the September 2010 BMJ Careers Fair. This was offset by higher expenses as a result of attendance at a national level.

Surplus of \$410 in line with the budget of \$0.

Statement of financial position

Debtors and other receivables

Debtors and other receivables are higher than budget due to the increase in the RMO reimbursement recovery at year end. This is as a result of higher RMO numbers and therefore higher RMO reimbursement expenses. In addition, attendance at the 2011 BMJ Careers Fair was billed in June at the request of the DHBs. This was budgeted to be billed in October 2011.

Creditors and other payables

Creditors and other payables are higher than budget as a result of the income in advance invoiced to national DHBs for attendance at the 2011 BMJ Careers Fair.

Statement of cash flows

Agency funding and distribution

The increase in RMOs employed during the year has lead to higher than anticipated RMO reimbursements for the year. As these costs are then recovered from the DHBs, this has consequently lead to higher agency income for the year.

That agency distributions are higher than agency receipts during the year is as a result of the difference in payments to RMOs in June 2010 of \$475k (recovered in July 2010) and June 2011 \$684k (not recovered until July 2011)

Employee costs/Other operating costs

Employee costs are below budget as a result of the difficulty encountered throughout the year in sourcing quality candidates to fill vacant positions. In the interim, a number of these positions were staffed by temporary staff thereby reducing employee costs and increasing operational costs.

24. 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.

Independent Auditor's Report

**To the readers of
Auckland Regional RMO Service Limited's
financial statements and statement of service performance
for the year ended 30 June 2011**

The Auditor-General is the auditor of Auckland Regional RMO Services Ltd (the Company). The Auditor-General has appointed me, John Scott, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Company on her behalf.

We have audited:

- the financial statements of the Company on pages 19 to 22 and 25 to 38, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company on pages 23 to 24.

Opinion on the financial statements and statement of service performance

In our opinion:

- the financial statements of the Company on pages 19 to 22 and 25 to 38:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the Company's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the Company on pages 23 to 24:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of, for each class of outputs for the year ended 30 June 2011, the company's:
 - service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 15 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993 we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Financial Reporting Act 1993, New Zealand Public Health and Disability Act 2000 and the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Company.



John Scott
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of Auckland Regional RMO Services Ltd (the Company) for the year ended 30 June 2011 included on the Company's website. The Board of Directors is responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 15 September 2011 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.