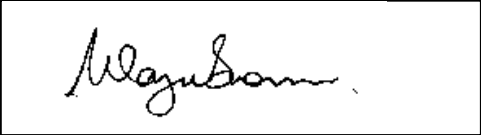



# AUCKLAND DISTRICT HEALTH BOARD

## 2007 ANNUAL REPORT

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The Board Members are pleased to present the report of Auckland District Health Board ("ADHB") and the Group comprising ADHB, its subsidiary Charitable Trust and associates for the year ended 30 June 2007.

<b>For and on behalf of the Board Members who authorised the issue of this annual report.</b>	
	
<b>W. K. F. BROWN</b> Chair	<b>H. J. BURKHARDT</b> Chair Audit Committee
<b>Dated: 4 October 2007</b>	<b>Dated: 4 October 2007</b>

# AUCKLAND DISTRICT HEALTH BOARD

## MISSION

Auckland District Health Board (ADHB) will provide New Zealand's finest comprehensive health service through excellence and innovation in patient care, education, research and technology.

*Hei Oranga Tika Mo Te Iti Me Te Rahi  
Healthy Communities, Quality Healthcare*

## DIRECTORY

### Address for Service

Auckland District Health Board  
First Floor Building 10  
Greenlane Clinical Centre  
Greenlane West  
Epsom  
Auckland

### Postal Address

PO Box 26417  
Auckland  
Telephone: (09) 630 9817  
Facsimile: (09) 639 9816  
Website: [www.adhb.govt.nz](http://www.adhb.govt.nz)

### Auditor

Ernst & Young (on behalf of the Office of the Auditor-General)  
41 Shortland Street  
PO Box 2146  
Auckland 1

### Board Members

W.K.F. Brown (Chair)	B.J. de Geest
R.B. Keenan (Deputy Chair)	Dr. V.T. Hope
Dr. A.R. Bierre *	Dr. D.M. Nash
H.J. Burkhardt	Dr. I.K. Scott
Dr. C.J.W. Chambers	

\*On Leave of Absence 1 July 2006 to date of resignation 3 August 2006

### Chief Executive

G.R. Smith

### Executive Management

M. Dotchin	(General Manager; Clinical Services)
F. Dougan	(General Manager; Clinical Services)
K. Hyman	(General Manager; Clinical Services)
N. Buchanan	(General Manager, Operations)
R. Jarrold	(Chief Financial Officer)
Dr. D. Jury	(Chief Planning and Funding Officer)
N. Glavish	(Chief Advisor Tikanga & Acting General Manager; Maori Health)
J. Vendrig	(Chief Information Officer)
V. Rawlings	(General Manager; Human Resources Operations)
Dr. C Palmer	(Clinical Leader; Planning and Funding)
A. Redican	(General Manager; Pacific Health)
Dr. D. Sage	(Chief Medical Officer)
Dr. M. Wilsher	(Deputy Chief Medical Officer)
T. Campbell	(Executive Director of Nursing)
J. Mueller	(Director; Allied Health)

# AUCKLAND DISTRICT HEALTH BOARD

## DIRECTORY (continued)

### Clinical Board

Dr. D. Sage (Chair)  
Dr. N. Argyle  
Dr. J. Bent  
T. Campbell  
Dr. D. Court  
S. Fitt  
Dr. R. Franklin  
Dr. R. Frith  
Dr. J. Henley  
Dr. B. Kent

Dr. D. Knight  
Dr. C. McArthur  
J. Mueller  
Dr. S. Munn  
Dr. C. Palmer  
Dr. J. Thornburn  
B. Twomey  
Dr. J. Van Schalkwyk  
Dr. J. Wilde  
Dr. M. Wilsher

# AUCKLAND DISTRICT HEALTH BOARD

## CHAIRMAN'S REVIEW

Chairman's Report

Kia ora tatou,

This is the fifteenth consecutive Chairman's report that I have prepared for a DHB and their forerunner organisations, two of which I chaired in other parts of New Zealand in Northland and Tairāwhiti.

It is with great pleasure that I can report that ADHB has completed the year well ahead of budget financially, while producing more health outputs than contracted and more than the year before. It is with pride that I note that this is just like the 14 years preceding, but in this case the improvement was marked.

Financially ADHB has nearly eradicated the large losses of the past, improving our result by over \$35m from the previous year and nearly \$10m ahead of budget. This was achieved without selling around \$4m of land planned for sale, includes a loss of \$1.5m against unfunded ineligible visitor health costs and in the face of a number of strikes, without which the result would definitely have been even better.

The results in health terms show significant improvements across many services, noteworthy being a 12% increase in elective surgery for the ADHB population, a 7% increase in in-centre haemodialysis and a significant 17% increase in ophthalmology out-patients.

ADHB achieved full compliance with waiting time measures and did so by servicing extra patients and not by sending patients from waiting lists back to their GPs.

Now that financial issues are under better control, more time has been spent with clinical directors and clinical leaders and our productivity has risen over the last year. This has been personally rewarding and ADHB looks to continue clinical quality improvements in coming years.

The year produced some unexpected challenges which were met openly and without adverse consequences to the public. I must commend our clinical leaders for the open and prompt way they handled the unexpected case of CJD and the way this tragic case was explained to the public. Similarly, when the unexpected (and currently being appealed) decision was announced reversing the community laboratory services contract for all three Auckland regional DHBs, it was pleasing to see the prompt actions of management, led by the regional deputy chair Ross Keenan, to reinstate the service with considerable savings, and without a single test being threatened.

This was done in the face of the most ill-informed self-serving political point scoring pressure ever mounted during my many years in health administration. My thanks to the few reasoned experienced political voices of support who balanced the shrill voices of detractors, none of whom have ever contacted or visited ADHB during their terms in opposition or in the media.

I am pleased to see initiatives gaining ground in the fields of Maori and Pacific Island health where moving the health statistics of these populations to the average is a worthy cause for all New Zealanders. Improved care of older persons' services and new mental health services were welcomed at ADHB.

In conclusion this has been a year of achievement and consolidation at ADHB and my thanks to my fellow Board members, clinical and nursing staff and to the excellent management team led by Garry Smith.

WAYNE BROWN

Chair on behalf of the Board.

# AUCKLAND DISTRICT HEALTH BOARD

## CHIEF EXECUTIVE'S REVIEW

This has been an outstanding year for the Auckland District Health Board. We have finished the year ahead of budget and showing positive trends on our health targets. We have experienced a significant reduction in staff turnover, an increase in productivity, improvements in efficiency and better management of our waiting lists.

We have received recognition for the additional costs of providing national services. Our procurement team has negotiated high quality product at fair prices. Productivity has been improved by an improvement in systems and by the performance of staff, who have managed increasing patient throughput with staff numbers staying relatively stable.

We are continuing to see the benefits of strong clinical leadership in our management structure and the value of clinical expertise in areas such as the Clinical Practice Committee. The Quality Framework has been launched and we wish to embed clinical effectiveness processes and evaluation in everything we do.

Our Provider Arm is unique in that 53% of the work we do is referred from other DHBs – our neighbours Counties Manukau, Waitemata and Northland as well as other DHBs from around the country. We must have a strong population focus for the central district of Auckland and at the same time foster strong relationships with the referring DHBs.

It has not been an easy year on the workfront, with a number of strikes and industrial actions, but our staff have done a tremendous job. With almost two million patient contacts, 500 research projects and a 12% increase in elective surgery, people from the Auckland region are benefiting from what has been a huge collective effort by staff across the ADHB.

## ACHIEVEMENTS

Our priority goals for 2006/07 continued our core focus of the previous year: *lift the health of people in Auckland City; lead performance improvement; live within our means*. We have made significant achievements against all of these goals.

### Lift the health of people in Auckland City

#### ▪ Focus on cardio vascular disease and diabetes

The Cardiovascular/Diabetes plan was completed this year and initiatives in this area are having a positive effect. Heart disease is New Zealand's biggest killer and the ADHB's roll-out of a new tool is designed to help GPs combat this major health issue. PREDICT is an electronic clinical decision support tool that helps a health practitioner assess the likelihood of a patient developing heart disease by providing a patient's cardiovascular risk score. PREDICT then recommends the most appropriate plan for intervention, which the patient and health professional can work on together to put into action. More than 80% of GP practices in the ADHB region have now had PREDICT installed and training has been supplied.

The Vascular High Dependency Unit which opened in July 2006 is proving extremely effective with a new professional pathway established and a dedicated team of nurses now trained up to Intensive Care Unit level. The unit was established to provide appropriate medical and nursing cover for a specialty group of post-operative patients needing care above the level required for a ward patient, but not the level needed for intensive care patients.

There has also been a focus on diabetes, within both the hospital and community environments. A review and redesign of diabetes management was conducted with positive outcomes. Self-management programmes have been implemented, as well as increasing the capacity of in-centre haemodialysis.

The ADHB continues to take an integrated approach to diabetes and cardiovascular disease. For example, a focus on preventative initiatives are embedded into work streams, such as the Healthy Eating Healthy Action (HEHA) programme that tackles obesity, a major factor in the development of cardiovascular disease and diabetes.

#### ▪ Healthy Eating, Healthy Action (HEHA) activities in place

There has been a major focus on Healthy Eating, Healthy Action (HEHA) activities over the past 12 months. These have been integrated across the community and hospital environments and in service-specific areas.

Practising what we preach, the ADHB has made nutritional decisions in relation to all vending machines on its sites, for example taking out all full sugar soft drinks. HEHA specifications are also being included in food licenses in leased space on ADHB sites.

However the ADHB is not just about hospitals but also about lifting the health of Aucklanders, and the HEHA team works closely with numerous community groups. For example, the HEHA team meets with other agencies such as Health Promoting Schools, public health nurses, National Heart Foundation, Sport Auckland, Team Solutions, Cancer Society, Auckland City Council and ASH on inter-agency work.

## AUCKLAND DISTRICT HEALTH BOARD

There has been a push in Green prescriptions, including funding extensions with Sport Auckland and three new Green Prescription programmes being established for Maori, Pacific and South Asian peoples. Netfit community coaching courses are being offered throughout the year for graduates of the Green Prescription programme and for community leaders.

Schools have also been a focus, with 12 decile one schools in the ADHB region participating in the Fruit in Schools initiative which is linked to the Health Promoting Schools programme. This programme focuses on four priority areas – healthy eating, physical activity, being sun-smart and smoke-free.

The Child and Youth Health Team is also working with the Ministry of Education, offering workshops to all 145 schools in the ADHB region interested in understanding and learning about the food and beverage classification system.

Community Mental Health Centres, ADHB Mental Health Services, Maori Mental Health and Pacific Island Mental Health services all have HEHA related programmes in place.

### ▪ **Stepping forward with cancer control strategies**

The ADHB has completed a Cancer Control Gap Analysis, the ADHB Cancer Control Plan and a Palliative Care Plan.

Cancer control is one of the government's key priorities for health. Nationally we have been involved through my appointment as lead CEO for cancer services representing all 21 DHBs. The national strategy also fits with the ADHB's whole of system approach to healthcare.

In the Northern Region there has been an outstanding collaborative effort by the whole cancer control community which includes NGOs, PHOs, consumers, Maori and Pacific leaders, clinicians and care givers. The outcome is the establishment of the Northern Regional Cancer Control Network based on the philosophy that every one of the groups above is equally important in the continuum of patient care. The network will be the engine room for the Cancer Control Strategy linking closely with individual DHB strategies. A clinical director and a Network manager have been appointed.

### ▪ **Children's and Women's health a priority**

Striving for better health outcomes for children continues to be a high priority for the ADHB and the past year has been marked by the completion and roll out of the Child Health Improvement Plan.

The plan takes a holistic view of child health and draws on the wider health and general community to create an environment where children can thrive. As part of this philosophy, the ADHB instigated the Listening to Children Project, which is believed to be a first in New Zealand.

The project is based in schools and involves children in a series of workshops where they get the opportunity to voice their thoughts on healthcare needs and concerns for themselves and their families.

Also in the community, the ADHB, through the Child Health Improvement Plan, supported the Snug Homes for Children initiative, in conjunction with funding and implementation partners. Up to 500 Auckland families are benefiting from the health benefits and energy savings as a result of improved insulation in their homes.

Other initiatives to reduce the number of child admissions in the 2006/07 year included reaching the Ministry of Health's target of 95% of all children being fully immunised by age two years.

Family violence has also been a focus and the ADHB led the way in the past year with a screening initiative under the Family Violence Intervention Programme. Women coming into a number of ADHB services have been encouraged within this safe environment to seek help and talk about family violence.

For pre-term babies and complex term babies the Neonatal Intensive Care Unit has developed a multidisciplinary Newborn Service Infant CareMap. This CareMap tracks the care of each infant from admission to discharge and out into the community and takes a family-centred approach with parents contributing to the planning process for the care of their baby. This is another example of integrating healthcare into the community and giving people the tools so that they are empowered to take care of their own health and the health of their families.

The ADHB works closely with the Starship Foundation to identify projects that will benefit children and in 2006-07 this resulted in a \$300,000 transformation of Starship Children's Health's vital therapy unit. Funding for the project largely came from Mercury Energy customers who donate to the Starship Foundation through their energy bills. The vital therapy unit is a rehabilitation facility where children re-learn to walk, talk and return to everyday activities.

Trauma continues to be the single biggest cause of death of New Zealand children and the ADHB's Children's Trauma Service organised the country's first ever conference for health professionals on the issue. The Kids' Trauma Conference was very successful and will now be an annual event.

### ▪ **Initiatives to care for ADHB's diverse ethnic population, including refugees**

The ADHB population has always been diverse, with many nationalities and cultures and the latest census has shown that this is a continuing trend.

## AUCKLAND DISTRICT HEALTH BOARD

The ADHB has recognised that the health needs of different ethnic groups varies and there has been work undertaken over the past year to define and respond to the healthcare needs of different ethnicities while respecting traditional communities. For example, there is work underway on helping to reduce the prevalence of diabetes in South Asians given that this group has a higher incidence of the disease than either Maori or Pacific peoples.

As another example, some refugees including asylum seekers, may utilise the Trans-Cultural Mental Health Service, which works out of four community mental health centres to provide psychiatric intervention.

### ▪ **Planning ahead**

Planning to meet different healthcare needs and priorities is at the heart of the ADHB.

The Maori Health Plan for the coming year has been drafted and is in a consultation process to ensure that there is a shared understanding and a collaborative view among stakeholders on the way forward for Maori health.

Initiatives such as Health Village Action Zones for Pacific communities are also being progressed, with significant involvement from different church denominations.

The Health of Older People Health Improvement Plan (Healthy Aging 2020) has also been drafted and a Quality Committee is now in place to ensure that this sector of our community, which is growing significantly as a result of changing New Zealand demographics, is well supported.

New initiatives have also been embedded into the Mental Health Improvement Plan which takes a holistic view across both community and hospital-based services. One such initiative, the Acute Home-Based Service was launched late last year as part of the crisis service provided through community mental health centres. It adds to the current range of mainstream mental health community and in-patient services and provides intensive, short-term treatment and support for service users in their own environment, as an alternative to hospital admission.

These planning streams are examples of a whole range of in-depth and well considered planning streams that are at the core of the ADHB. They draw on extensive expertise and take a forward-looking view to ensure that we are continually tracking along the path of lifting the health of Aucklanders.

### **Lead performance improvement**

This year the ADHB saw 8% more patients than last year and reduced their average stay from 3.5 days to 3.4 days. Other highlights include a 12% increase in elective surgery, a 7% increase in dialysis and a 17% increase in ophthalmology outpatients. We have also met the target rates for immunisations.

We also achieved full compliance with the Ministry of Health's Elective Services Performance Indicators (ESPIs) for managing patients for elective services. ESPIs monitor how patients are managed while waiting for an elective (non-urgent) service across all 21 DHBs. There are eight ESPIs and we have achieved compliance in all areas.

In my last report I mentioned three significant projects we were embarking on in the 2006/07 financial year. These all come under the title of the Operational Efficiency Programme, which consists of a surgical process review; capacity and production planning; and an after hours model of care. These are long-term projects looking not just at our needs now, but in the future, as we cope with the predicted population growth of Auckland City. Much planning has gone into these projects which have already resulted in efficiencies in elective surgery.

The After-Hours Model of Care aims to reduce delays to care and improve clinical outcomes by matching clinical skills and competencies to workloads through the 24 hour, 7 day a week time cycle. It has already seen the baseline data collection and project strategy completed and the design and implementation of initiatives is about to commence.

The Capacity and Production Planning Project will provide ADHB with the ability to quantify the service volumes required across the entire organisation and effectively manage capacity needs and issues. Capacity and production plans for all surgical services (theatres and outpatients) are being developed, with completion targeted for 30 September 2007. The next steps are to apply the plans to medical services and further develop and integrate knowledge and processes around production planning.

For the Surgical Process Review, work is continuing on both service-specific and organisation-wide work streams to streamline the journey of a surgical patient from the initial referral. The project has the over-arching aim of no electives cancelled, and all acute surgery performed on time. To achieve this it aims to optimise theatre outputs through reviewing booking methods, as well as improving patient turnaround and waiting list management.

### **Live within our means**

We have had a continued focus on reducing the remaining deficit and financially, the ADHB has nearly eradicated the large losses of previous years by improving their result by \$35 million over the previous year and ending up nearly \$10 million ahead of budget.

## AUCKLAND DISTRICT HEALTH BOARD

We have repaid \$35 million of equity which is 80% of the deficit support money received from the Ministry of Health. This has been achieved through prudent financial management. The Board has committed, in its three year plan, a further repayment of debt equating to \$32 million.

As a result of such favourable performance, and a breakeven plan for the next three years, the ADHB has been taken off intensive monitoring by the Ministry of Health. This also been recognised by achieving a Standard and Poors credit rating of AAA/A1+ which is above SOE grade.

### Looking back – looking forward – top 10 priorities

Quality and Clinical effectiveness is a key component for our future. We will be creating two new positions: a Director of Surgery and a Director of Performance and Provider Development and have already created and filled the new position of Deputy Chief Medical Officer. These positions have been created to ensure we support line management with the 'toolkit' required to achieve optimum outcomes and performance. Work done at the ADHB on our own values has been complimented by the development of the State Services Commission's Code of Conduct which was launched in June.

To 'Keep it Simple' for all staff to understand the Top 10 deliverables for 2007/08, we make the following commitment:

#### We will:

- **Improve the patient journey** and experience through our health system with safe high quality services
- **Reduce health inequalities** by responding to high need population groups
- **Improve access to services, particularly:**
  - surgical services
  - cancer services
  - PHO enrolment of people with high needs
  - community based diabetes services
  - mental health services
  - older people services
  - screening of at-risk people for cardiovascular disease
- **Value our staff and respect our customers**
- **Achieve the national immunisation target rates**
- **Measure and report all outputs** and use data and evidence to improve performance and outcomes
- **Support research, innovation and knowledge growth**
- Live our **Code of Conduct** and the organisation's values
- **Live within our means**
- **Deliver on our promises** to our district population and patients referred to us from other districts for specialist treatment

We plan to measure on an on-going basis how we are performing on these priorities throughout the year to track our performance and to keep you informed how we are going.

#### Finally...

A personal highlight for the year was the X-Factor X-travaganza – a truly stunning event organised by staff during the winter, with a professional approach to production, fantastic performers and wonderful decorations and costumes. It was great for teamwork and team-building and to quote one of the organisers, Rosser Thornley, "The X-Factor in ADHB is like a coin. On one side, it shows the care and compassion that we strive for, and on the other, it shows the sense of humour and creativity that accompanies us in this work."

I have adopted one of our X-Factor Performer's selection of the song 'Simply The Best' as a great theme for the year. My thanks go to the senior management team and all of our staff for the work they have put in to ensure we live up to our vision of Healthy Communities, Quality Healthcare.

My thanks are also extended to the Board and especially the Chair Wayne Brown, for their leadership and support.

Garry Smith

Chief Executive

# AUCKLAND DISTRICT HEALTH BOARD

## **SUMMARY OF PERSONNEL POLICIES FOR THE YEAR ENDED 30 JUNE 2007**

ADHB is committed to being a good employer and to the principles of the Treaty of Waitangi. To this end ADHB has proactively pursued strategies to optimise the relationship between employees and their work performance in its endeavour to achieve the highest quality of work life for staff and the highest quality of healthcare for our patients.

Part of this process has been the widespread involvement of staff at all levels and all occupational groups in multi-disciplinary quality improvement groups and the formation of redesign teams aimed at improving ADHB's overall performance and efficient utilisation of its capital, material and human resources.

ADHB has continued to maintain its investment in its employees through training and development opportunities and the enhancement of its staff counselling and rehabilitation after injury services.

# AUCKLAND DISTRICT HEALTH BOARD

## GOOD EMPLOYER OBLIGATIONS REPORT 2006-07

Under sections 118 and 151 of the Crown Entities Act 2004, ADHB is required to report on the extent to which it complies with “good employer” policies.

The Human Rights Commission has suggested that Crown entities should report under the following seven key “elements” relating to recruiting, developing, managing and retaining staff.

Element/Measurement	Policies & Procedures	Programmes
<b>leadership accountability &amp; culture</b>	Organisational values Regular Union-employer meetings CEO “State of the Nation” addresses to all staff Integrated management structure Bi-cultural policy	Management assessment and development process ADHB Welcome Day – initial address to participants by CEO Individual Service Planning Days – multidisciplinary involvement Nova Magazine (newsletter for staff) Goodwill Meet & Greet (Senior Management Team serve festive treats to all staff)
<b>recruitment, selection and induction</b>	Intranet based guides for recruitment & selection In-house Careers Centre Staff have access to intranet based recruitment site Wide media coverage, advertising Overseas and Local recruitment expos	Induction guides for managers Support of Overseas Candidates social evenings Work Experience Days Open Days at Children’s and Women’s services Career Development Advisor on Site Careers Centre evening for local candidates to meet the Recruitment Consultants and talk about job opportunities Careers Centre website accessible internally & externally
<b>employee development, promotion and exit</b>	Guides to training and coaching staff Documented exit procedures Majority of staff on MECAs have continuing education provisions Other staff have the ability to negotiate specific training & development opportunities	Alumni programme in place Annual Performance Development/Management Process Individual Performance Planning Sabbaticals for Senior Medical Officers Exit interviews
<b>flexibility &amp; work design</b>	Flexible rostering practices subject to clinical requirements	Participation in pay and employment equity review Review of family friendly initiatives Staff Creche on each site.
<b>Remuneration recognition &amp; conditions</b>	Majority of staff on transparent MECAs Annual review of IEA remuneration based on market data Clinical staff embedded in integrated management structure	Nova awards – peer recognition of individuals or teams living the organisational values Long service awards Celebration week – a week of activities celebrating clinical, teaching and research achievements Staff benefits with external providers

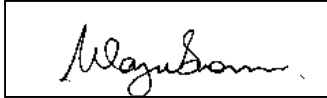
## AUCKLAND DISTRICT HEALTH BOARD

<b>harassment &amp; bullying prevention</b>	Official harassment policy in place, currently under update & will be integrated into wider organisational programme on violence prevention.	Formal and informal processes documented and available for response to harassment
<b>safe and healthy environment</b>	Dedicated Occupational Safety & Health department	<p>ACC Partnership Programme - Tertiary accredited. Good relationships with third party provider</p> <p>Staff leadership of service-based Health &amp; Safety committees</p> <p>Staff Wellness initiatives</p> <p>Free influenza vaccine programme for staff</p> <p>EAP services provided free to staff</p> <p>Healthy Eating Healthy Action initiatives for staff</p> <p>Involvement in Feetbeat</p> <p>Annual ADHB team in Round the Bays</p> <p>Free work-related Occ Health assessments for staff</p> <p>Workstation assessments</p> <p>Work area safety checks</p> <p>Staff Breastfeeding policy &amp; facilities</p> <p>Weight Watchers meeting on site weekly</p> <p>Pilates programmes available on site</p>

# AUCKLAND DISTRICT HEALTH BOARD

## STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2007

1. The Board and management of ADHB accepts responsibility for the preparation of the financial statements and the judgements used in them;
2. The Board and management of ADHB 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 ADHB, the financial statements for the year ended 30 June 2007 fairly reflect the financial position and operations of ADHB.



**W. K. F. Brown**  
Chair

**Dated: 4 October 2007**



**H.J. Burkhardt**  
Chair Audit Committee

**Dated: 4 October 2007**



**G. R. Smith**  
Chief Executive

**Dated: 4 October 2007**

# AUCKLAND DISTRICT HEALTH BOARD

## STATUTORY INFORMATION

In respect of the financial year ended 30 June 2007 the Board members of ADHB submit the following report:

### Members of the Board - Current

<b>Board member</b>	<b>Experience with ADHB</b>
Wayne Kelvin Forrest Brown (Chair)	From December 2001
Ross Barry Keenan (Deputy Chair)	From December 2004
Harry Jacques Burkhardt	From June 2003
Dr. Christopher John Wesley Chambers	From December 2004
Barry Joseph de Geest	From December 2004
Dr. Virginia Theresa Hope	From December 2004
Dr. Diane Mary Nash	From December 2001
John Retimana	From December 2001
Dr. Ian Kevin Scott	From December 2001

### Members of the Board - Ceased

Dr. Anthony Ronald Bierre	Resigned August 2006
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# AUCKLAND DISTRICT HEALTH BOARD

## BOARD COMMITTEES AS AT 30 JUNE 2007 - STATUTORY COMMITTEES

### Community and Public Health Advisory Committee

W. K. F. Brown (Chair)	Rev. A. Ngaro	T. Stewart
R. B. Keenan (Deputy Chair)	Dr. D. M. Nash	L. W. Timaloa
H. J. Burkhardt	J. Retimana	M. Vinall
Dr. C. J. W. Chambers	P. Roseman	Professor A. Woodward
B. J. de Geest	Dr. I. K. Scott	Dr. D. Wu
Dr. V. T. Hope	P. Stephenson	

### Disability Support Advisory Committee

B. J. de Geest (Chair)	S. Dylan	J. Retimana
M. Baragwanath	M. E. M. Hull-Brown	A. Tafil
B. Broome	Dr. V. T. Hope	
W. K. F. Brown	Dr. D. M. Nash	

### Hospital Advisory Committee

W.K.F. Brown (Chair)	Dr. C.J.W. Chambers	Dr. D.M. Nash
R.B. Keenan (Deputy Chair)	B.J. de Geest	J. Retimana
Professor P.G. Alley	Dr. V. T. Hope	Dr. I.K. Scott
H.J. Burkhardt	Professor I. Martin	

## BOARD COMMITTEES AS AT 30 JUNE 2007 - BOARD ESTABLISHED COMMITTEES

### Audit Committee

H.J. Burkhardt (Chair)	B.J. de Geest	Dr. I.K. Scott
W.K.F. Brown	R. B. Keenan	

### Quality Committee

Dr. D.M. Nash (Chair)	Dr. V.T. Hope	J. Retimana
Dr. C.J.W. Chambers		

### Maori Health Advisory Committee

J. Retimana (Chair)	N. Glavish	P. Rameka
W. K. F. Brown	A. Hudson	T. Stewart
H.J. Burkhardt	J. Koea	
Dr. C. J.W. Chambers	L. Mitchelson	

# AUCKLAND DISTRICT HEALTH BOARD

## Principal activities

The ADHB functions are set out in section 23(1) of the New Zealand Public Health and Disability Act 2000. It is responsible for the funding of health services.

ADHB provides its own hospital and health services at:

- Auckland City Hospital
- Greenlane Clinical Centre
- Community and Mental Health Service sites

## Review of operations

	Group \$000	Parent \$000
<b>Results for the year ended 30 June 2007</b>		
Operating deficit	(10,715)	(11,884)
Share of net surpluses of associates	4	0
Net deficit	(10,711)	(11,884)
<b>Equity of ADHB as at 30 June 2007</b>		
Current assets	148,615	136,999
Non-current assets	684,757	678,426
Total assets	833,372	815,425
Current liabilities	241,211	233,888
Non-current liabilities	307,949	307,949
Total liabilities	549,160	541,837
Total equity	284,212	273,588

## Capital Charge

The capital charge for the year ended 30 June 2007 was \$21.559 million (to 30 June 2006: \$25.957 million) and is treated as an operating expense – note 15.

## Equity Comparisons

Equity of \$35 million has been repaid to the Crown and the Crown has made a contribution of \$608k related to specific pandemic equipment (to 30 June 2006 \$44.518 million injected).

## Financial statements

The financial statements of ADHB and the Group for the year ended 30 June 2007 are included separately in this report. The Group consists of ADHB, the Auckland District Health Board Charitable Trust (beneficial control) and associated entities, Auckland Regional RMO Services Ltd (33% owned), Northern DHB Support Agency Limited (33% owned), Treaty Relationship Company Limited (50% owned) and Westkids Limited (50% owned).

# AUCKLAND DISTRICT HEALTH BOARD

## Interests register

During the year the following entries were recorded in the Interests Register of ADHB:

<b>(a) Board Members' Fees</b>	<b>Year ended 30/6/07 \$</b>
W. K. F. Brown	87,688
H. J. Burkhardt	30,292
Dr. C. J. W. Chambers	27,167
B. J. de Geest	27,667
Dr. V. T. Hope	27,167
R. B. Keenan	27,333
Dr D. M. Nash	27,917
J. Retimana	27,167
Dr I. K. Scott	31,870
<b>Fees paid to Board Members</b>	<b><u>314,268</u></b>

## **(b) Board Members use of ADHB information**

No notices were received from the Board members requesting the use of ADHB information, received in their capacity as Board Members, which would not otherwise have been available to them.

## AUCKLAND DISTRICT HEALTH BOARD

### (c) Board Members' interests

The Board Members have declared that they may benefit from any contract that may be made with the entities listed below by virtue of their directorship or memberships of those entities:

Board Member	Interest
W. K. F. Brown (Chair)	Chairman, Coastlines Group of Companies; Owner/Director of Waahi Paraone Ltd; Owner/Director of Alderton Construction Ltd; Owner/Director of Brown Consulting Ltd; Chairman, Kordia Limited; Deputy Chair, Transpower Ltd
R. B. Keenan (Deputy Chair)	Chairman, Cabletalk Group Ltd; Chairman, Southern Travel Holdings Ltd; Chairman, Allied Workforce Ltd; Director, Metrowater Services Ltd; Director, Ngai Tahu Holdings Corporation; Deputy Chairman, Waitemata District Health Board; Deputy Chairman, Counties Manukau District Health Board
H. J. Burkhardt	Owner/Managing Director of Replas Ltd; Owner/Director of Matta Products Ltd; Shareholder/Director of Remat Group Ltd; Shareholder/Director of Burkhardt Investments Ltd; Shareholder/Director Burris Ltd; Director Reco Ltd; Trustee, ADHB Charitable Trust
Dr. C. J. W. Chambers	Employee ADHB; Wife employed by Safekids; Associate, Epsom Anaesthetic Group; Member ASMS; Shareholder, Ormiston Surgical & Endoscopy Limited
B. J. de Geest	Director, Renaissance Consulting Ltd; Director One2One Homecare Ltd; Director, Keane Group Ltd; Involvement with Disabled Persons Assembly
Dr. V. T. Hope	Public Health Physician (AFPHM); Member, Royal Fellow Australasian College of Health Administrator; Member, Management Committee National Centre for Bio Security & Infectious Diseases, Employee, Institute of Environmental and Scientific Research; Member, Ministry of Health Technical Advisory Group – Southern Saltmarsh Mosquito; Member, Biosecurity Ministerial Advisory Committee; Member, ASMS
Dr. D. M. Nash	General Medical Practitioner; Member, NZ Labour Party Policy Council; Chair & Convenor, NZ Labour Party Health Policy Committee
J. Retimana	Director Wakaieretere Ltd; Consultant Advisor to Territorial Authorities, Ngati Whatua Trust Board and Te Ure O Hau Investments; Director, Whangai Investments Ltd
Dr. I. K. Scott	Employee, Waitemata District Health Board as a Consultant, Auckland Regional Alcohol and Drug Service (RADS); Board member of the Alcohol Advisory Council of New Zealand

# AUCKLAND DISTRICT HEALTH BOARD

## **Auckland District Health Board Charitable Trust**

Auckland District Health Board Charitable Trust administers the donations and bequests to ADHB with the exception of funds held on behalf of patients and the Ngati Whatua Trust Board, which are still held by ADHB and will be distributed as required.

### **Trustees of the Trust at 30 June 2007**

<b>Trustee</b>	<b>Experience with A+ Charitable Trust</b>
Dr. R. Frith (Chair)	Appointed 9 October 2003
H. J. Burkhardt*	Appointed 7 April 2005
T. Campbell	Appointed 8 April 2004
Dr. J. Henley	Appointed 7 November 2002
R. Jarrold*	Appointed 7 April 2006
Dr. S. Macfarlane	Appointed 11 March 2005
Dr. D. Sage*	Appointed 3 August 2003
G. R. Smith*	Appointed 7 April 2006

\*Appointed as Ex Officio Trustees from 7 April 2006 when new Deed of Trust effected.

## AUCKLAND DISTRICT HEALTH BOARD

### Employee remuneration

During the year, the following numbers of employees of ADHB received remuneration over \$100,000.

Remuneration Range	Medical	Non- Medical	Number of Employees
\$480,000-\$490,000	1		1
\$470,000-\$480,000		1	1
\$460,000-\$470,000	2		2
\$450,000-\$460,000	1		1
\$440,000-\$450,000	1		1
\$430,000-\$440,000	1		1
\$410,000-\$420,000	2		2
\$400,000-\$410,000	1		1
\$390,000-\$400,000		1	1
\$380,000-\$390,000	4		4
\$370,000-\$380,000	2		2
\$360,000-\$370,000	2		2
\$350,000-\$360,000	1		1
\$340,000-\$350,000	7		7
\$330,000-\$340,000	1		1
\$320,000-\$330,000	5		5
\$310,000-\$320,000	8		8
\$300,000-\$310,000	6	1	7
\$290,000-\$300,000	9		9
\$280,000-\$290,000	19		19
\$270,000-\$280,000	15		15
\$260,000-\$270,000	22	1	23
\$250,000-\$260,000	11		11
\$240,000-\$250,000	20	1	21
\$230,000-\$240,000	15		15
\$220,000-\$230,000	21		21
\$210,000-\$220,000	26	2	28
\$200,000-\$210,000	17		17
\$190,000-\$200,000	26	2	28
\$180,000-\$190,000	25		25
\$170,000-\$180,000	26	3	29
\$160,000-\$170,000	43	1	44
\$150,000-\$160,000	31	6	37
\$140,000-\$150,000	39	5	44
\$130,000-\$140,000	54	13	67
\$120,000-\$130,000	54	22	76
\$110,000-\$120,000	74	29	103
\$100,000-\$110,000	68	49	117
Total	660	137	797

**Note:**

Of the 797 employees shown above, 660 are or were medical or dental employees and 137 are or were neither medical nor dental employees. If the remuneration of part-time employees were grossed-up to a full time equivalent basis, the total number of employees with full time equivalent salaries of \$100,000 or more would be 1,087 compared with the actual total number of employees of 797.

The remuneration received by the Chief Executive during the year ended 30 June 2007 falls within the salary band \$470,000-\$480,000.

## AUCKLAND DISTRICT HEALTH BOARD

### Employee remuneration (continued)

#### Termination payments

Payment \$	Employees	Payment \$	Employees	Payment \$	Employees
265	1	7,689	1	16,642	1
271	2	7,863	1	16,998	1
406	1	7,974	1	17,083	1
434	1	8,000	1	17,258	1
541	1	8,145	1	17,379	1
1,127	1	8,269	1	18,614	1
1,212	1	8,653	1	18,747	1
2,000	1	8,936	1	18,866	1
2,348	1	9,307	1	19,260	1
2,810	1	9,308	1	19,654	1
2,859	1	9,673	1	19,699	1
2,910	1	10,293	1	19,837	1
3,126	1	10,299	1	21,793	1
3,146	1	11,284	1	22,956	1
3,289	1	11,680	1	26,240	1
3,500	2	11,945	1	26,402	1
3,552	1	12,137	1	27,513	1
3,668	1	12,495	1	30,536	1
3,680	1	12,767	1	31,408	1
4,242	1	12,995	1	35,065	1
4,363	1	13,057	1	36,863	1
4,467	1	13,414	1	39,382	1
4,654	1	13,561	1	40,842	1
4,867	1	13,727	1	42,597	1
5,000	1	13,885	1	43,095	1
5,336	1	13,969	1	47,464	1
5,609	1	14,067	1	47,520	1
5,719	1	14,515	1	48,553	1
5,751	1	15,000	2	64,164	1
5,857	1	15,132	1	64,683	2
7,417	1	15,334	1	68,620	1
7,478	1	16,067	1	78,074	1
7,611	1	16,492	1		
Total				1,654,708	102

During the year ended 30 June 2007, termination payments were made in respect of 102 employees (179 payments in year ended 30 June 2006). Termination payments consist of settlements and redundancy payments made during the year.

# AUCKLAND DISTRICT HEALTH BOARD

## Auditor

The Controller and Auditor-General is appointed under section 43 of the New Zealand Public Health and Disability Act 2000. Ernst & Young has been contracted to provide these services.

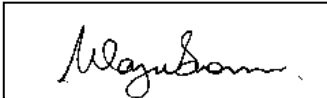
## Remuneration to auditor

	\$
Audit fees	329,000
Other assurance and consultancy fees paid to Ernst & Young	<u>4,000</u>
Amounts paid/payable to Ernst & Young	<u><u>333,000</u></u>

## Donations

ADHB did not make any donations during the year.

**For and on behalf of the Board Members who authorised the issue of this annual report.**



**W. K. F. Brown**  
Chair

**Dated: 4 October 2007**

# AUCKLAND DISTRICT HEALTH BOARD

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Group Budget	Group Actual		Parent Actual	
		2007	2007	2006	2007	2006
		\$000	\$000	\$000	\$000	\$000
<b>Total operating revenue</b>	2	\$1,367,215	1,408,838	1,282,464	1,398,630	1,280,985
<b>Share of net surpluses of associates</b>	5	0	4	53	0	0
<b>Total operating expenses</b>		1,387,232	(1,419,553)	(1,329,019)	(1,410,514)	(1,327,923)
<b>Total operating deficit before taxation</b>	3	(20,017)	(10,711)	(46,502)	(11,884)	(46,938)
<b>Taxation</b>	4	0	0	0	0	0
<b>Net deficit for the year</b>		(20,017)	(10,711)	(46,502)	(11,884)	(46,938)

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

# AUCKLAND DISTRICT HEALTH BOARD

## STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Group Budget	Group Actual		Parent Actual	
		2007	2007	2006	2007	2006
		\$000	\$000	\$000	\$000	\$000
<b>Equity at beginning of the year</b>		329,353	329,358	329,220	319,907	320,205
Net deficit for the year		(20,017)	(10,711)	(46,502)	(11,884)	(46,938)
		309,336	318,647	282,718	308,023	273,267
Revaluation Reserves	6(ii)	0	(43)	2,122	(43)	2,122
Equity injection / (repayment)		(35,000)	(34,392)	44,518	(34,392)	44,518
<b>Equity at end of the year</b>		<b>274,336</b>	<b>284,212</b>	<b>329,358</b>	<b>273,588</b>	<b>319,907</b>

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

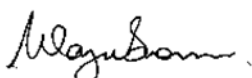
# AUCKLAND DISTRICT HEALTH BOARD

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

	Notes	Group Budget	Group Actual		Parent Actual	
		As at 30/06/07 \$000	As at 30/06/07 \$000	As at 30/06/06 \$000	As at 30/06/07 \$000	As at 30/06/06 \$000
<b>Equity</b>						
Public equity		600,375	600,983	635,375	600,983	635,375
Accumulated deficit	6 (i)	(480,361)	(472,330)	(460,450)	(472,661)	(460,777)
Revaluation Reserve	6 (ii)	145,309	145,266	145,309	145,266	145,309
Donations and bequests	6 (iii)	9,013	10,293	9,124	0	0
<b>Total Equity</b>		<b>274,336</b>	<b>284,212</b>	<b>329,358</b>	<b>273,588</b>	<b>319,907</b>
Represented by:						
<b>Current Assets</b>						
Cash, bank balances and investment bonds	7	0	1,450	3,626	1,450	3626
Restricted Trust Funds	8	0	10,981	7,780	910	844
Receivables and prepayments	9	113,991	125,699	109,663	124,154	109,526
Inventories	10	8,000	10,407	9,228	10,407	9,228
Property intended for sale	1(m)	0	78	141	78	141
<b>Total Current Assets</b>		<b>121,991</b>	<b>148,615</b>	<b>130,438</b>	<b>136,999</b>	<b>123,365</b>
<b>Non-Current Assets</b>						
Restricted Trust Funds	8	9,669	6,000	2,250	0	0
Property, Plant and Equipment	11	683,498	678,425	699,344	678,425	699,344
Investments in associates	5	328	332	329	1	1
<b>Total Non-Current Assets</b>		<b>693,495</b>	<b>684,757</b>	<b>701,923</b>	<b>678,426</b>	<b>699,345</b>
<b>Total Assets</b>		<b>815,486</b>	<b>833,372</b>	<b>832,361</b>	<b>815,425</b>	<b>822,710</b>
<b>Current Liabilities</b>						
Bank Overdraft	7	12,585	4,800	14,750	4,800	14,750
Payables and accruals	13	206,776	225,001	203,749	217,678	203,549
Borrowings	14,18	0	10,500	0	10,500	0
Funds held in trust		844	910	844	910	844
<b>Total Current Liabilities</b>		<b>220,205</b>	<b>241,211</b>	<b>219,343</b>	<b>233,888</b>	<b>219,143</b>
<b>Non-Current Liabilities</b>						
Payables and accruals	13	16,445	13,949	13,660	13,949	13,660
Borrowings	14,18	304,500	294,000	270,000	294,000	270,000
<b>Total Non-Current Liabilities</b>		<b>320,945</b>	<b>307,949</b>	<b>283,660</b>	<b>307,949</b>	<b>283,660</b>
<b>Total Liabilities</b>		<b>541,150</b>	<b>549,160</b>	<b>503,003</b>	<b>541,837</b>	<b>505,588</b>
<b>Net Assets</b>		<b>274,336</b>	<b>284,212</b>	<b>329,358</b>	<b>273,588</b>	<b>319,907</b>

The accompanying notes form an integral part of these financial statements

For and on behalf of the Board Members who authorised the issue of these financial statements on 04/10/07



**W. K. F. BROWN**  
Chair



**H. J. BURKHARDT**  
Chair Audit Committee

# AUCKLAND DISTRICT HEALTH BOARD

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

	Group Budget	Group Actual		Parent Actual	
Notes					
	2007	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000
<b>Cash Flows from Operating Activities</b>					
<b>Cash was provided from:</b>					
Provision of health services	1,355,661	1,396,666	1,271,441	1,387,709	1,270,431
Interest received	1,088	0	2,111	0	1,636
	<u>1,356,749</u>	<u>1,396,666</u>	<u>1,273,552</u>	<u>1,387,709</u>	<u>1,272,067</u>
<b>Cash was applied to:</b>					
Employee costs	577,879	572,983	506,169	572,983	506,169
Other operating costs	738,656	770,015	739,236	767,943	738,174
Interest paid	18,700	17,863	18,784	17,863	18,784
	<u>1,335,235</u>	<u>1,360,861</u>	<u>1,264,189</u>	<u>1,358,789</u>	<u>1,263,127</u>
Net cash inflow from operating activities	<u>21,514</u>	<u>35,805</u>	<u>9,363</u>	<u>28,920</u>	<u>8,940</u>
<b>Cash Flows from Investing Activities</b>					
<b>Cash was provided from:</b>					
Proceeds from sale of fixed assets	6,618	2,529	128	2,529	128
Decrease/ (Increase) in restricted trust funds	0	(6,951)	(478)	(66)	(55)
	<u>6,618</u>	<u>(4,422)</u>	<u>(350)</u>	<u>2,463</u>	<u>73</u>
<b>Cash was applied to:</b>					
Purchase of fixed assets	(29,092)	(23,717)	(34,539)	(23,717)	(34,539)
Net cash (outflow) from investing activities	<u>(22,474)</u>	<u>(28,139)</u>	<u>(34,889)</u>	<u>(21,254)</u>	<u>(34,466)</u>
<b>Cash Flows from Financing Activities</b>					
<b>Cash was provided from:</b>					
Proceeds from capital contributed/ (repaid)	(35,000)	(34,392)	44,518	(34,392)	44,518
Proceeds from loans raised/ (repaid)	34,500	34,500	(236)	34,500	(236)
Net cash inflow / (outflow) from financing activities	<u>(500)</u>	<u>108</u>	<u>44,282</u>	<u>108</u>	<u>44,282</u>
<b>Movement in cash and bank balances</b>					
Opening balance	(11,125)	(11,124)	(29,880)	(11,124)	(29,880)
Net cash inflow / (outflow)	(1,460)	7,774	18,756	7,774	18,756
<b>Closing bank balance</b>	<b>7</b>	<b>(12,585)</b>	<b>(3,350)</b>	<b>(3,350)</b>	<b>(11,124)</b>

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

# AUCKLAND DISTRICT HEALTH BOARD

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

### RECONCILIATION OF REPORTED OPERATING DEFICIT AFTER TAXATION WITH NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	Group Budget	Group Actual		Parent Actual	
	2007 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Reported net deficit for the year	(20,017)	(10,711)	(46,502)	(11,884)	(46,938)
Add non-cash items:					
Depreciation and impairment loss	44,938	44,306	45,658	44,306	45,658
Associates	0	(4)	(53)	0	0
Add items classified as investing activities:					
Net loss/(gain) on disposal of fixed assets	(6,476)	(2,138)	(78)	(2,138)	(78)
Add movements in working capital items:					
(Increase) Decrease in receivables	(3,966)	(13,321)	(6,726)	(12,069)	(6,731)
(Increase) Decrease in inventories	1,228	(1,179)	643	(1,179)	643
Increase (Decrease) in payables	5,807	18,786	16,366	11,818	16,331
Increase (Decrease) in funds held in trust	0	66	55	66	55
Net cash inflow/(outflow) from operating activities	<u>21,514</u>	<u>35,805</u>	<u>9,363</u>	<u>28,920</u>	<u>8,940</u>

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

# AUCKLAND DISTRICT HEALTH BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### Note

#### 1 STATEMENT OF ACCOUNTING POLICIES

##### ***Reporting Entity***

Auckland District Health Board (ADHB) is established under the New Zealand Public Health and Disability Act 2000. ADHB is a Crown Entity in terms of the Crown Entities Act 2004, owned by the Crown and domiciled in New Zealand.

ADHB is a reporting entity for the purposes of the New Zealand Public Health and Disability Act 2000 and the Financial Reporting Act 1993 and an issuer for the purposes of the Financial Reporting Act 1993.

ADHB and its subsidiary, the Auckland District Health Board Charitable Trust, comprise the Group.

The financial statements of ADHB and Group have been prepared in accordance with the Crown Entities Act 2004 and the Financial Reporting Act 1993.

##### ***Measurement Base***

The accounting principles recognised as appropriate in the measurement and reporting of financial performance and financial position on a historical cost basis are followed by ADHB, with the exception that certain assets and liabilities specified below have been stated at fair value.

##### ***Going concern***

The financial statements, which comply with the requirements of the Financial Reporting Act 1993 and the Public Finance Act 1989, are prepared on the basis that the ADHB is a going concern.

##### ***Budget figures***

The budget figures are those approved by the Board. The budget figures have been prepared in accordance with the accounting policies adopted by the Board for the preparation of the financial statements.

# AUCKLAND DISTRICT HEALTH BOARD

## 1 STATEMENT OF ACCOUNTING POLICIES (continued)

### Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial performance and the financial position have been applied.

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

All items in the financial statements are exclusive of GST, with the exception of receivables and payables which are stated with GST included. The net amount of GST payable is included as part of payables in the Statement of Financial Position. In the Statement of Cash Flows, GST on receipts and GST on payments are offset to present a net amount of GST paid and presented as an operating cash outflow. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

#### (b) **Basis of consolidation**

##### **Subsidiary**

The consolidated financial statements include those of ADHB and the Auckland District Health Board Charitable Trust. The Auckland District Health Board Charitable Trust is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. The ADHB Charitable Trust is consolidated as ADHB has beneficial control of the Trust. All significant inter-entity transactions are eliminated on consolidation.

##### **Associates**

Associates are entities in which ADHB holds an interest in the equity and over which ADHB exercises significant influence but does not control. Associates have been reflected in the consolidated financial statements on an equity accounting basis which recognises the ADHB's share of retained surpluses in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets, in the consolidated statement of financial position. In ADHB's financial statements, investments in associates are recognised at cost.

#### (c) **Employee entitlements**

Employee entitlements include liabilities for salaries and wages, annual leave, long service leave and retirement gratuities accrued to employees for services rendered up to balance date. In determining the value of employee entitlements, salaries and wages and annual leave are calculated on an actual entitlement basis whilst the other entitlements are calculated on an actuarial basis at current rates of pay.

#### (d) **Taxation**

Auckland DHB is a public authority under New Zealand Public Health and Disabilities Act 2000 and is exempt from Income tax under section CW31 of the Income Tax Act 2004.

#### (e) **Foreign currency**

Transactions denominated in foreign currencies (other than forward contracts) are translated at the rate of exchange ruling at the transaction date. Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in the contracts. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange differences arising from the translations are recognised in the Statement of Financial Performance.

The foreign currency exchange differences on hedging transactions undertaken to establish the price of particular sales or purchases, together with any costs associated with the hedge transactions, are deferred and recognised in the measurement of the purchase or sale transaction..

#### (f) **Accounts receivable**

Accounts receivable are stated at expected realisable value after providing for doubtful and uncollectible debts.

#### (g) **Inventories**

Inventories are valued on the basis of the lower of cost, determined on a first-in first-out basis, and net realisable value. This valuation includes allowances for slow moving and obsolete inventories.

# AUCKLAND DISTRICT HEALTH BOARD

## Note

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### (h) Leases

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of fair value of the leased property, and the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised in the statement of financial position and the leased assets are depreciated on a straight line basis over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

#### (i) Revenue recognition policy

Ministry of Health contract revenue and interest income are recognised on an accrual basis. Other operating revenue is recognised when earned or on receipt for delivery of service, whichever is earlier.

Donations and bequests received are treated as revenue on receipt, in the statement of financial performance. These funds are administered by the Auckland District Health Board Charitable Trust.

Donations and bequests from third party trusts are recognised as revenue only when actually received.

#### (j) Funds held in trust

Funds held on behalf of patients and the Ngati Whatua Trust Board are treated as a non-current liability "Funds held in trust" and are distributed to them as required.

#### (k) Research projects

Research costs are recognised in the statements of financial performance as incurred. Grants received in respect of research projects are recognised in the Statement of Financial Performance in the same period as the related expenditure. Research income not recognised in the period is held as Payables and Accruals in the Statement of Financial Position.

#### (l) Financial instruments

As a guardian of public money, ADHB must be risk averse and seek to minimise exposure arising from its treasury activity. ADHB is not authorised by Treasury policy to enter into any transaction which is speculative in nature. Financial instruments carried on the Statement of Financial Position includes cash and bank balances, receivables, payables and borrowings. These instruments are generally carried at their estimated fair value.

Investments in bonds are recognised at market value at balance date. Gains or losses on the investments are recognised in the Statement of Financial Performance. ADHB is also party to financial instruments that are not recognised in the financial statements. These include interest rate swaps and forward exchange contracts. Their primary purpose is to reduce exposure to fluctuations in foreign currency exchange rates and interest rates. Any gains or losses arising from exposure to foreign exchange instruments are offset against the related gains or losses on the recorded assets or liabilities being hedged. The net differential paid or received on interest swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

# AUCKLAND DISTRICT HEALTH BOARD

## Note

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### (m) *Property Plant and Equipment*

There are eight classes of property plant and equipment:

- Freehold Land
- Land Improvements
- Plant and Equipment
- Freehold Buildings
- Building Fitout and Services
- Leasehold Improvements
- Work in Progress
- Leased Plant and Equipment

Items of property, plant and equipment are initially recorded at cost.

The building assets of ADHB are considered to be specialised assets and accordingly are valued where appropriate based on depreciated replacement cost (fair value). Valuations have been obtained through an independent valuer.

Valuations are carried out for Land, Buildings, Building Fitout and Services to reflect the service potential or economic benefit obtained through control of the asset. Valuation is based on the fair value of the asset. Where an asset is recorded using depreciated replacement cost, depreciated replacement cost is based on the estimated present cost of construction, reduced by factors for age and deterioration of the asset.

Classes of property, plant and equipment that are revalued, are revalued at least every five years.

For each property, plant and equipment project, borrowing costs incurred during the period required to complete and prepare the asset for its intended use are expensed.

Work in progress, which is not depreciated, is the cost of direct materials, direct labour and direct overheads of capital works projects unfinished at balance date. When a project is finished the total cost of that project is transferred to buildings and/or plant and equipment.

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairment in value is recognised immediately in the Statement of Financial Performance. If the recoverable amount of an asset is less than the carrying amount, the item is written down to its recoverable amount. The write down of an asset recorded at historical cost is recognised as an expense in the Statement of Financial Performance.

The carrying amount of an asset that has previously been written down to a recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred. On assets that are not revalued, the reversal is recognised in the Statement of Financial Performance. On revalued assets the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

Gains and losses on disposal of property, plant and equipment are recognised as revenues or expenses in the Statement of Financial Performance.

Properties intended for sale are carried at the lower of cost and net realisable value and are recorded in current assets.

# AUCKLAND DISTRICT HEALTH BOARD

## 1 STATEMENT OF ACCOUNTING POLICIES (continued)

### (n) *Depreciation*

Depreciation of property, plant and equipment, other than land and work in progress, is calculated on a straight line basis so as to allocate the cost of the assets, less their estimated residual values, over their useful lives as follows:

<u>Asset Class</u>	<u>2007</u>	<u>2006</u>
Freehold Buildings	1 to 89 years	1 to 89 years
Plant and Equipment	2 to 20 years	2 to 20 years
Building Fitout and Services	1 to 45 years	1 to 45 years
Leased Plant and Equipment	4 to 8 years	4 to 8 years
Leasehold Improvements	6 to 8 years	6 to 8 years

### (o) *Changes in accounting policies*

There were no changes in accounting policies during the period.

### (p) *Comparatives*

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.

# AUCKLAND DISTRICT HEALTH BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Group Actual		Parent Actual	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>2 REVENUE</b>				
Patient care revenue	1,308,103	1,195,926	1,308,103	1,195,926
Interest received – other	3,277	1,636	3,277	1,636
Interest received – Charitable Trust	784	475	0	0
Donations and bequests	9,423	0	0	0
Gain on disposal of assets	2,138	78	2,138	78
Gain on sale of derivatives	3,032	0	3,032	0
Other revenue	82,081	84,349	82,080	83,345
<b>Total Revenue</b>	<b>1,408,838</b>	<b>1,282,464</b>	<b>1,398,630</b>	<b>1,280,985</b>
<b>3 OPERATING DEFICIT BEFORE TAXATION</b>				
<b>After charging/(crediting) :</b>				
Remuneration of auditor				
- audit fees: statutory accounts	238	206	238	206
- advisory fees: IFRS accounts	91	0	91	0
- other services (assurance and consultancy fees)	4	12	4	12
Depreciation				
Buildings	3,698	3,865	3,698	3,865
Building Fitout and Services	13,472	13,418	13,472	13,418
Plant and Equipment	26,761	27,997	26,761	27,997
Leasehold Improvements	19	22	19	22
Leased Plant and Equipment	356	356	356	356
Total depreciation	44,306	45,658	44,306	45,658
Employee costs	593,963	544,075	589,447	543,976
Board Members' fees	314	327	314	327
Interest expense	19,716	18,840	19,716	18,840
Foreign currency loss/(gain)	(21)	12	(21)	12
Rental and operating lease costs	7,252	8,202	7,252	8,202
Research costs	6,242	6,601	6,242	6,601
Bad debts written off	3,230	2,698	3,230	2,698
Increase (decrease) in estimated doubtful debts	1,065	256	1,065	256
Capital charge (Note 15)	21,559	25,957	21,559	25,957
<b>4 TAXATION</b>				

Auckland DHB is a public authority under the New Zealand Public Health and Disability Act 2000 and is exempt from Income Tax under Section CW31 of the Income Tax Act 1994.

# AUCKLAND DISTRICT HEALTH BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Group Actual		Parent Actual	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>5 INVESTMENTS IN ASSOCIATES</b>				
<i>Results of associates</i>				
Share of post acquisition surplus	4	53	0	0
Share of net surpluses of associates	4	53	0	0
Carrying amount at the beginning of the year	329	276	1	1
Carrying amount at end of year	333	329	1	1
<i>Represented by:</i>				
Shares in associates (unlisted at cost)	1	1	1	1
Share of post-acquisition retained surpluses	332	328	0	0
	333	329	1	1

	2007	2006
<i>Name of associates (Principal activity)</i>	<i>% Interest held</i>	<i>% Interest held</i>
Auckland Regional RMO Services Limited (co-ordinates trainee medical personnel)	33	40
Northern DHB Support Agency Limited (management of a number of regional contracts on behalf of the Auckland region DHBs.)	33	33
Treaty Relationship Company Limited (joint venture for health initiatives with local iwi)	50	50
Westkids Limited (provides paediatric services in the community in West Auckland)	50	50

All associates have balance dates of 30 June.

ADHB does not have a share in any contingent liabilities or capital commitments of the associates.

# AUCKLAND DISTRICT HEALTH BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6 EQUITY	Group Actual		Parent Actual	
	As at 30/06/07	As at 30/06/06	As at 30/06/07	As at 30/06/06
	\$000	\$000	\$000	\$000
<b>(i) Accumulated deficits</b>				
Opening balance	(460,450)	(413,564)	(460,777)	(413,839)
Operating deficit after deducting capital charge	(10,711)	(46,502)	(11,884)	(46,938)
Transfer to donations and bequests (Note 6(iii))	(1,169)	(384)	0	0
	(472,330)	(460,450)	(472,661)	(460,777)
<b>(ii) Revaluation Reserve</b>				
Land Revaluation Surplus	46,171	46,171	46,171	46,171
Land Improvement Revaluation Surplus	4,097	4,097	4,097	4,097
Building Revaluation Surplus	39,289	39,247	39,289	39,247
Building Fitout and Services Revaluation Surplus	55,709	55,794	55,709	55,794
	145,266	145,309	145,266	145,309
This revaluation reserve relates to land and buildings carried at valuation.				
<b>(iii) Donations and bequests</b>				
Opening balances	9,124	8,740	0	0
Transfer from accumulated deficits (Note 6(i))	1,169	384	0	0
	10,293	9,124	0	0

# AUCKLAND DISTRICT HEALTH BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Group Actual		Parent Actual	
	As at 30/06/07	As at 30/06/06	As at 30/06/07	As at 30/06/06
<b>7 CASH, BANK BALANCES, OVERDRAFT AND INVESTMENT BONDS</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<i>Current assets</i>				
Cash at bank	1,450	3,626	1,450	3,626
<i>Current Liabilities</i>				
Bank Overdraft	(4,800)	(14,750)	(4,800)	(14,750)
Closing Bank Balance	(3,350)	(11,124)	(3,350)	(11,124)
<b>8 RESTRICTED TRUST FUNDS</b>				
<i>Current assets</i>				
Cash at bank (restricted)	1,014	449	910	844
Short term deposits (restricted)	9,967	2,644	0	0
Investment Bonds (at market, restricted)	0	4,687	0	0
	10,981	7,780	910	844
<i>Non - current assets</i>				
Long term deposits (restricted)	6,000	2,250	0	0
	16,981	10,030	910	844
<b>Trust Funds</b>				
The restricted assets above are Trust Funds and are held exclusively for the purposes of a charitable nature within New Zealand.				
<b>9 RECEIVABLES AND PREPAYMENTS</b>				
Accounts receivable	99,501	97,631	99,360	97,631
Provision for doubtful debts	(9,972)	(2,702)	(9,972)	(2,702)
	89,529	94,929	89,388	94,929
Prepayments	2,539	2,125	2,539	2,125
Amounts receivable from associates	26	0	26	0
Other receivables	33,605	12,609	32,201	12,472
	125,699	109,663	124,154	109,526
<b>10 INVENTORIES</b>				
Pharmaceuticals	696	579	696	579
Surgical and medical supplies	9,672	8,613	9,672	8,613
Other supplies	39	36	39	36
	10,407	9,228	10,407	9,228

# AUCKLAND DISTRICT HEALTH BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Group Actual		Parent Actual	
	As at 30/06/07	As at 30/06/06	As at 30/06/07	As at 30/06/06
	\$000 Group	\$000 Group	\$000 Parent	\$000 Parent
<b>11 PROPERTY, PLANT and EQUIPMENT</b>				
<b>Total Gross Carrying Value</b>				
Land (at valuation)	49,798	49,798	49,798	49,798
Land Improvements (at valuation)	4,097	4,097	4,097	4,097
Buildings (at valuation)	233,401	233,454	233,401	233,454
Building Fitout and Services (at valuation)	338,875	334,097	338,875	334,097
Plant and Equipment (at cost)	271,594	262,958	271,594	262,958
Leasehold Improvements (at cost)	693	749	693	749
Leased Plant & Equipment (at cost)	6,470	6,470	6,470	6,470
Work in Progress (at cost)	4,529	2,503	4,529	2,503
<b>Total Gross Carrying Value</b>	<b>909,457</b>	<b>894,126</b>	<b>909,457</b>	<b>894,126</b>
<b>Accumulated depreciation</b>				
Buildings	(7,488)	(3,835)	(7,488)	(3,835)
Impairment Loss - Computer Systems	(1,130)	(1,130)	(1,130)	(1,130)
Building Fitout and Services	(26,920)	(13,430)	(26,920)	(13,430)
Plant & Equipment	(188,936)	(170,169)	(188,936)	(170,169)
Leasehold Improvements	(562)	(579)	(562)	(579)
Leased Plant & Equipment	(5,996)	(5,639)	(5,996)	(5,639)
<b>Total Accumulated Depreciation</b>	<b>(231,032)</b>	<b>(194,782)</b>	<b>(231,032)</b>	<b>(194,782)</b>
<b>Net Carrying Value</b>				
Land	49,798	49,798	49,798	49,798
Land Improvements	4,097	4,097	4,097	4,097
Buildings	225,913	229,619	225,913	229,619
Building Fitout and Services	311,955	320,667	311,955	320,667
Plant & Equipment	81,528	91,659	81,528	91,659
Leasehold improvements	131	170	131	170
Leased plant & equipment	474	831	474	831
Work in progress	4,529	2,503	4,529	2,503
<b>Total Net Carrying Value</b>	<b>678,425</b>	<b>699,344</b>	<b>678,425</b>	<b>699,344</b>

## AUCKLAND DISTRICT HEALTH BOARD

	As at 30/06/07	As at 30/06/06
	\$000	\$000
	Group	Group
<b>11 PROPERTY, PLANT and EQUIPMENT (continued)</b>		
<b>By Holding</b>		
Freehold Assets	677,820	698,343
Leasehold Assets	605	1,001
	678,425	699,344
	678,425	699,344

### Impairment Loss

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairment in value is recognised immediately. No impairment loss (2006: Nil) was recognised as an expense in the Statement of Financial Performance

### Valuation Information

Land, Buildings and associated fitouts and services were independently valued on 30 June 2005 by Telfer Young (Auckland) Ltd (a firm registered with Valuers of New Zealand), at \$604m. This value assesses key parcels of land subject to restrictive covenants as having a Nil value. Telfer Young have provided a second valuation for \$749.m which takes into account the value of these parcels if there were no restriction on the ability to sell that land. The Board takes the view that the appropriate valuation method is to reflect the fair value as being affected by the inability to sell this land due to the surrounding restrictive covenants.

As at 30 June 2007 Telfer Young (Auckland) Ltd brought the above valuations in line with land and building valuation changes over the past two years. The method included a walk through of all buildings but was not a full and detailed review of all buildings. On this basis the value excluding land subject to restrictive titles was \$680m and including land with restrictive titles was \$852m.

Surplus land prior to disposal, is subject to due process with regard to the New Zealand Public Health and Disabilities Act 2000, including Ministerial approval, Public Works Act 1981, S.40, the mechanism for protection of Maori interests in Crown owned land, and any other interests registered on the title or under any other applicable legislation (e.g. Reserves Act 1977). It is held as property intended for resale at cost.

## 12 CONTINGENT ASSET

ADHB benefits from grants from the Greenlane Research and Educational Fund Trust (GREFT). This fund was set up for the purpose of administering funds to further the services in the cardio-thoracic surgical and cardiology units at Greenlane Hospital. The assets of the fund have not been consolidated in the financial statements because ADHB does not exercise control over the GREFT in terms of Financial Reporting Standard Number 37 "Consolidating Investments in Subsidiaries". Furthermore ADHB is unable to control the timing and amount of any distribution of funds, consequently it is not possible to estimate the future economic benefit to ADHB in terms of Financial Reporting Standard Number 15 "Provisions, Contingent Liabilities and Contingent Assets".

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Group Actual		Parent Actual	
	As at 30/06/07 \$000	As at 30/06/06 \$000	As at 30/06/07 \$000	As at 30/06/06 \$000
<b>13 PAYABLES AND ACCRUALS</b>				
<i>Current</i>				
Trade payables and accruals	87,746	81,485	86,246	81,352
Provisions	350	388	350	388
PAYE and GST	13,080	11,968	12,954	11,968
Employee entitlements	93,320	75,660	93,320	75,660
Amounts payable to associates	164	201	164	201
Other payables and accruals	30,341	34,047	24,644	33,980
	<u>225,001</u>	<u>203,749</u>	<u>217,678</u>	<u>203,549</u>
<i>Non-current</i>				
Employee entitlements	13,949	13,660	13,949	13,660
	<u>13,949</u>	<u>13,660</u>	<u>13,949</u>	<u>13,660</u>
<b>PROVISIONS</b>				
<i>Litigation Provision</i>				
Opening balance	0	0	0	0
Additional provisions made during year	150	0	150	0
Charged against provision for the year	0	0	0	0
Closing balance	<u>150</u>	<u>0</u>	<u>150</u>	<u>0</u>
<i>Redundancy Provision</i>				
Opening balance	388	650	388	650
Additional provisions made during year	0	66	0	66
Charged against provision for the year	(188)	(328)	(188)	(328)
Closing balance	<u>200</u>	<u>388</u>	<u>200</u>	<u>388</u>
Total provisions	<u>350</u>	<u>388</u>	<u>350</u>	<u>388</u>

**Note:** The provision relates to expected costs arising from specific service reviews in progress at year-end. It is anticipated that all expenditure will be incurred in the next financial year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Group Actual		Parent Actual	
	As at 30/06/07 \$000	As at 30/06/06 \$000	As at 30/06/07 \$000	As at 30/06/06 \$000
<b>14 BORROWINGS</b>				
<i><b>Current</b></i>				
Crown Health Financing Agency	10,500	0	10,500	0
	10,500	0	10,500	0
<i><b>Non-current</b></i>				
Crown Health Financing Agency	174,000	150,000	174,000	150,000
15 year Bond, maturing 15 September 2015	50,000	50,000	50,000	50,000
10 year Bond, maturing 15 September 2010	70,000	70,000	70,000	70,000
	294,000	270,000	294,000	270,000
Borrowings are repayable:				
Less than one year	10,500	0	10,500	0
One to two years	10,500	150,000	10,500	150,000
Two to five years	103,500	70,000	103,500	70,000
Over five years	180,000	50,000	180,000	50,000
	304,500	270,000	304,500	270,000
<i><b>Interest rates</b></i>	% pa	% pa	% pa	% pa
Crown Health Financing Agency	6.095 – 7.30	6.65 - 7.25	6.095 – 7.30	6.65 - 7.25
Bonds	7.75	7.75	7.75	7.75

ADHB borrows funds based on covenants and a negative pledge deed. This includes the covenant that security cannot be given over assets of ADHB without prior written consent of the Crown owner.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Group Actual		Parent Actual	
	As at 30/06/07 \$000	As at 30/06/06 \$000	As at 30/06/07 \$000	As at 30/06/06 \$000
<b>14 BORROWINGS (continue)</b>				
<i>Banking facilities</i>				
	Limit available	Limit available	Limit available	Limit available
The following banking facilities are available to ADHB:				
Revolving Cash Facilities:				
Crown Health Financing Agency	0	195,000	0	195,000
ASB	65,000	65,000	65,000	65,000
Total revolving cash facility	65,000	260,000	65,000	260,000
<b>15 CAPITAL CHARGE</b>	21,559	25,957	21,559	25,957

All DHBs are required to pay a capital charge to the Crown based on their shareholders' funds. The charge is set at 8 percent for fiscal year 2007 (8 percent for fiscal year 2006) on shareholders' funds based on the monthly closing balance. ADHB has not paid a capital charge on donations received into the ADHB Charitable Trust.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Group Actual		Parent Actual	
	As at 30/06/07 \$000	As at 30/06/06 \$000	As at 30/06/07 \$000	As at 30/06/06 \$000
<b>16 COMMITMENTS</b>				
<b>(i) Capital commitments</b>				
Approved and contracted	9,940	4,506	9,940	4,506
Approved and to be contracted	12,304	5,460	12,304	5,460
	22,244	9,966	22,244	9,966
<b>Term classification of commitments</b>				
Less than one year	22,244	9,966	22,244	9,966
One to two years	0	0	0	0
Two to five years	0	0	0	0
Over five years	0	0	0	0
	22,244	9,966	22,244	9,966
<b>(ii) Operating commitments</b>				
<b>Term classification of commitments</b>				
Less than one year	80,234	97,891	80,234	97,891
One to two years	35,854	19,417	35,854	19,417
Two to five years	3,677	10,549	3,677	10,549
Over five years	118	254	118	254
	119,883	128,111	119,883	128,111
<b>17 TRANSACTIONS WITH RELATED PARTIES</b>				
Associates identified in note 5 are related parties. The transactions with associates during the year:				
Sales to associates	1,563	56	1,563	56
Purchases from associates	6,863	4,948	6,863	4,948

These transactions were made on commercial terms and conditions, and at market rates.  
No related party debts have been written off or forgiven during the year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**18 FINANCIAL INSTRUMENTS**

**Credit Risk**

To the extent ADHB has a receivable from another party there is a credit risk in the event of non-performance by that counter party. Financial instruments which potentially subject ADHB to credit risk principally consist of bank balances, receivables, foreign currency forward rate agreements and interest rate swaps.

ADHB manages its exposure to credit risk and limits the amount of credit exposure to any financial institution. The maximum exposure is disclosed in the fair value of financial assets and liabilities.

The ADHB receives 94.46% (30/06/06 94.88%) of its revenue from the Crown through the Ministry of Health. Accordingly the Board does not consider there is any risk arising from the concentration of credit with respect to accounts receivable.

The Ministry of Health owed ADHB \$80,063 million (30/06/06: \$83.389 million) as at 30 June 2007. The Ministry of Health has substantially cleared the debt by 4 July 2007 and the Board Members of ADHB believe the balance, after provisions, is fully recoverable.

***Fair values of financial assets and liabilities***

The estimated fair values of financial instruments that differ from carrying values are as follows:

	Group Actual As at 30/06/07	Parent Actual As at 30/06/06	Group Actual As at 30/06/07	Parent Actual As at 30/06/06
Borrowings (current)	(10,687)	0	(10,687)	0
Borrowings (non-current)	(289,297)	(278,382)	(289,297)	(278,382)
Off Balance Sheet financial instruments				
Interest rate swaps	21	5,373	21	5,373
Foreign Exchange forward contracts	(422)	0	(422)	0

The fair value of the Group's borrowings are estimated based on the current market rates available to the Group for items of a similar nature and maturity.

The fair value of the interest rate swaps is current market valuation provided by the Group's bankers.

***Interest rate risk and currency risk***

***Interest rate risk:***

ADHB adopts a policy of spreading its interest rate exposure between fixed and floating rates. Interest rate swaps are used to achieve the appropriate mix of interest rate exposures as set out in the Board's treasury policy.

***Foreign currency risk:***

The Group had entered into a foreign exchange contract at balance date covering \$US 2,349,711 at a cost of \$NZ 3,498,057.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**18 FINANCIAL INSTRUMENTS (continued)**

	Weighted Average Interest Rate %	GROUP Maturity Periods				Total
		0 – 1 Years	1 – 2 Years	2 – 5 Years	Over 5 Years	
		\$000	\$000	\$000	\$000	\$000
<b>Interest Rate Repricing Schedule</b>						
<b>As at 30 June 2007</b>						
<b>Monetary Assets</b>						
Cash and bank balances	6.90%	1,450	0	0	0	1,450
Restricted Trust Funds	7.80%	10,981	6,000	0	0	16,981
<b>Total Monetary Assets</b>		<b>12,431</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>18,431</b>
<b>Monetary Liabilities</b>						
Bank Overdraft	8.25%	4,800	0	0	0	4,800
Crown Health Financing Agency	6.53%	10,500	10,500	33,500	130,000	184,500
Bonds	7.75%	0	0	70,000	50,000	120,000
<b>Total Monetary Liabilities</b>		<b>15,300</b>	<b>10,500</b>	<b>103,500</b>	<b>180,000</b>	<b>309,300</b>
<b>Off Balance Sheet Items (Interest Rate Derivatives)</b>						
Contract Value	7.86%	0	0	115,000	50,000	165,000
<b>As at 30 June 2006</b>						
<b>Monetary Assets</b>						
Cash and bank balances	6.90%	6,719	2,250	0	0	8,969
Investment bonds	7.20%	4,687	0	0	0	4,687
<b>Total Monetary Assets</b>		<b>11,406</b>	<b>2,250</b>	<b>0</b>	<b>0</b>	<b>13,656</b>
<b>Monetary Liabilities</b>						
Bank Overdraft	7.55%	14,750	0	0	0	14,750
Crown Health Financing Agency	7.16%	0	150,000	0	0	150,000
Bonds	7.75%	0	0	70,000	50,000	120,000
<b>Total Monetary Liabilities</b>		<b>14,750</b>	<b>150,000</b>	<b>70,000</b>	<b>50,000</b>	<b>284,750</b>
<b>Off Balance Sheet Items (Interest Rate Derivatives)</b>						
Contract Value	6.43%	35,000	40,000	160,000	51,000	286,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**18 FINANCIAL INSTRUMENTS  
(continued)**

	Weighted Average Interest Rate %	PARENT				Total
		Maturity Periods				
		0 – 1 Years	1 – 2 Years	2 – 5 Years	Over 5 Years	
<b>Interest Rate Repricing Schedule</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>As at 30 June 2007</b>						
<b>Monetary Assets</b>						
Cash and bank balances	6.9%	1,450	0	0	0	1,450
Restricted Funds	7.81%	910	0	0	0	910
Total Monetary Assets		<u>2,360</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,360</u>
<b>Monetary Liabilities</b>						
Bank Overdraft	8.25%	4,800	0	0	0	4,800
Crown Health Financing Agency	7.30%	10,500	10,500	33,500	130,000	184,500
Bonds		0	0	70,000	50,000	120,000
Total Monetary Liabilities		<u>15,300</u>	<u>10,500</u>	<u>103,500</u>	<u>180,000</u>	<u>309,300</u>
<b>Off Balance Sheet Items (Interest Rate Derivatives)</b>						
Contract Value	7.86%	0	0	115,000	50,000	165,000
<b>As at 30 June 2006</b>						
<b>Monetary Assets</b>						
Cash and bank balances	6.60%	4,470	0	0	0	4,470
Total Monetary Assets		<u>4,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,470</u>
<b>Monetary Liabilities</b>						
Bank Overdraft	7.55%	14,750	0	0	0	14,750
Crown Health Financing Agency	7.16%	0	150,000	0	0	150,000
Bonds	7.75%	0	0	70,000	50,000	120,000
Monetary Liabilities		<u>14,750</u>	<u>150,000</u>	<u>70,000</u>	<u>50,000</u>	<u>284,750</u>
<b>Off Balance Sheet Items (Interest Rate Derivatives)</b>						
Contract Value	6.43%	35,000	40,000	160,000	51,000	286,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**19 SEGMENTAL REPORTING**

ADHB only operates in the area of the health and disability support services sector in the Auckland region.

**20 MAJOR VARIATIONS FROM BUDGET**

The ADHB recorded a net deficit of \$11m which was \$9m favourable to budget. Major favourable variances were patient care revenue \$30m, capital charge funding \$5m, interest received \$3m, gain on sale of derivative \$3m and capital charge \$2m. Major unfavourable variances were employee costs \$16m, direct treatment costs \$5m and funder payments \$10m.

**21 EVENTS SUBSEQUENT TO BALANCE DATE**

No events have occurred subsequent to balance date that requires adjustment or disclosure in these financial statements.

**22 INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that New Zealand entities, required to comply with NZ GAAP under the Financial Reporting Act, would be required to apply International Financial Reporting Standards (IFRS) for financial periods commencing on or after 1 January 2007 with earlier adoption permitted from 1 January 2005. The new standards that have been approved by the ASRB for application in New Zealand are referred to as New Zealand equivalents to International Financial Reporting Standards, ( NZ IFRS) as certain adaptations have been made to reflect New Zealand circumstances.

Auckland District Health Board (ADHB) intends to present NZ IFRS financial statements for the first time for the year beginning 1 July 2007.

**Transition Management**

The conversion project to implement NZ IFRS has continued during the year to assess the impact of changes in financial reporting standards on ADHB's financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZ IFRS compliant basis, as well as dealing with any related business impacts. The key differences in accounting policies that are expected to arise from adopting NZ IFRS are:

Interest rate swaps are not currently recognised on the balance sheet. Net receipts and payments are recognised in the period in which they are incurred. Under NZ IAS 39, for interest rate swaps that are designated as cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the statement of financial performance.

ADHB has elected to carry its borrowings at amortised cost as allowed under NZ IAS 39, as opposed to the manner it is accounted for under NZ GAAP where it is accounted for based on its face value.

NZ IAS 19 requires that a liability be recognised for non-vesting, accumulated employee benefits such as sick leave. The framework also requires that vesting liabilities, such as Long Service Leave and Retiring Gratuities, be accounted for to include elements of future service costs.

The estimated impacts as a result of the change in accounting policies above have not been finalised as at the date of issuance of these financial statements

## Achievement of Statement of Intent Performance Targets

*The numbers 4.1 to 4.15 refer to sections of the 2006-07 Statement of Intent*

### Targets related to the goal: Lift the health of people living in Auckland city

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.1 Chronic disease. Risk reduction; obesity	<p><b>2006/07:</b> Increase in the number of health promoting schools Number of health promoting schools as % of total schools <b>2006/07</b> increase over % for 2005/06</p> <p><b>Performance measure</b> The number of health promoting schools as a percentage of the total number of schools within the DHB (as part of the Healthy Eating Healthy Action strategy).</p>	<p><b>2005-06 - 33%</b> <b>2006-07 - 46% ✓</b></p>	<p>As part of the HEHA programme and associated training, ADHB works with schools to help them achieve "Health Promoting School" status with a focus on the physical activity and nutrition components.</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
<p>4.2 Chronic disease management: Diabetes mellitus</p>	<p><b>2006/07:</b> Implement Diabetes Strategic Plan 2004–08 Continued implementation of Diabetes Get Checked project in primary care Ongoing implementation of other diabetes projects including HEHA model, self-management, electronic decision support (PREDICT)</p> <p>Patients meeting criteria having had an annual check in the period <b>2006/07</b> &gt; 65% <b>Performance measure</b></p>	<p>Performance 1 July 2006 – 30 June 2007 Achievement on target at 30 June 2007, ✓</p> <p>Below are some of the key elements of the overall approach ADHB is utilising to address the needs of people with diabetes:</p> <ul style="list-style-type: none"> <li>Community wide screening for CVD and diabetes utilising Predict™</li> <li>Electronic clinical decision support for the evidence based management of diabetes</li> <li>Development of evidence based diabetes education and self management programmes</li> <li>Development of a network of community based support groups for people with diabetes</li> <li>Shifting the focus of care for people with Type 2 diabetes back to primary care</li> </ul>	<p>Diabetes is important as a major and increasing cause of disability and premature death, and it is also a good indicator of the responsiveness of a health service for people in most need. Diabetes is implicated in the apparent increase in the difference in life expectancy between New Zealand Europeans and Māori over the last two decades</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
	<p>Numerator: The number of people with type I or II diabetes mellitus on a diabetes register that had an HbA1c (blood test) equal to or less than 8% and had their annual check during the reporting period.</p> <p>Denominator: Number of people with type I or type II diabetes mellitus on the diabetes register whose date of annual check was during the reporting period.</p>	<p>Target 65%</p> <p>Actual 67%      ✓</p>	<p><b>Baseline data previous targets</b></p> <p>2001–04 average for New Zealand 70%</p> <p>2005 average for ADHB 65%.</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
<p>4.3 Chronic disease. Cancer; waiting times</p>	<p><b>2006/07:</b> Align services to Ministry of Health guidelines</p> <p>Work towards culturally appropriate services</p> <p>Contribute to the Ministry of Health Cancer Register</p> <p>For Priority Category C                      Wait &lt; 8 weeks</p> <p><b>Performance measure</b> Time measured between referral by doctor to oncology clinic and start of radiation treatment. For priority category C</p>	<p>Working on Ministry guideline initiatives such as primary prevention strategies, smoking cessation and “green Prescription” ✓</p> <p>Working on smoking cessation and early detection activities with the Maori and Pacific communities. ✓</p> <p>ADHB has contributed to the Cancer Registry over many years via inpatient reporting and via its laboratories. ✓</p> <p><b>Target 8.0 weeks</b> <b>Actual 7.5 weeks</b> ✓</p>	<p>Specialist cancer treatment and symptom control is essential in reducing the impact of cancer. Development of indicators that mark quality cancer treatment is, however, restricted by the lack of routinely collected information on common treatment. In the interim, waiting times for radiation oncology treatment have been chosen as a representative indicator of specialist treatment, and is an area with waiting time</p>

## Achievement of Statement of Intent Performance Targets

Area activity	of	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
		<p><b>Baseline data and previous targets</b></p> <p>Currently 100% waiting &lt; 8 weeks. Recent data is on <a href="http://www.moh.govt.nz">www.moh.govt.nz</a> on the Health Topics list select Cancer Control.</p>		<p>issues for patients. ADHB provides a report updating on progress towards ensuring all patients receive oncology megavoltage radiation treatment according to nationally agreed standards.</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.4 Immunisation coverage	<p><b>2006/07:</b></p> <p>Progress towards immunisation targets for ADHB population</p> <p>Provide information on ADHB Birth cohort and maintain National Immunisation Register</p> <p><b>2006/07:</b> the lesser of 2005/06 rate + 4% or 90%</p> <p><b>Performance measure</b></p> <p>Numerator: Children who have had the identified vaccines.</p> <p>Denominator: Children whose second birthday fall in the reporting period.</p> <p><b>Baseline data</b></p> <p>National target is 95% of two-year-olds fully immunised</p>	<p>✓ (see objective below)</p> <p>✓ (see objective below)</p> <p><b>Measure:</b> Percentage of children up to date with immunisations when they turn milestone ages. <i>(Source NIR datamart reports.)</i> <u>Note: as our birth cohort commenced on 23 May 2005, we can not yet measure coverage at age 2 years.</u></p> <p><b>2005/06 rate</b> (at 1 July 2006)</p> <p>6 months – 57% fully immunised</p> <p>12 months – 66% fully immunised</p> <p><b>2006/07 rate</b> (at 30 June, 2007)</p> <p>6 months – 63% fully immunised</p> <p>12 months – 81% fully immunised</p>	<p>Improving immunisation coverage is a key component of the NZHS: “to improve child health”. High immunisation coverage is necessary to prevent vaccine preventable diseases in individual children, and in the general population.</p> <p><u>Note: as our birth cohort commenced on 23 May 2005, we can not yet measure coverage at age 2 years.</u></p>

## Achievement of Statement of Intent Performance Targets

Area activity	of	Targets	Performance Recorded for 06/07	Relevance, & Context	Discussion
			18 months – 66% fully immunised 24 months – 63% fully immunised (Refer MoH Q4 report – POP12) 2005/06 + 4% achieved. ✓		

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
<p>4.5 Child health</p>	<p><b>2006/07:</b> ADHB describes policies and actions that are in place to address inequalities, and describes monitoring of the impact of these DHB actions.</p> <p>Implement the ADHB Child Health Improvement Plan</p> <p>Identify and respond to determinants of child health in Auckland city</p> <p>Continue existing projects between primary and secondary services</p> <p>Children in Auckland city enrolled in a PHO</p> <p>Joint sector work focused on service improvement for children and young people</p>	<p><b>Performance 1 July 2006 – 30 June 2007</b></p> <p>✓</p> <p>The CHIP Implementation Plan 2006/07 was fully achieved</p> <p>A number of projects and activities undertaken to achieve this objective eg Tamaki Toi Tu Kids programme – jointly funded by ADHB and Tamaki Healthcare PHO ( Access PHO)</p> <p>The role of vaccination Co-ordinator at Starship Children's Health was expanded to include a focus on PHO enrolment and a Community Paediatrician role was funded</p> <p>Activities included training sessions with primary care practice nurses on the NIR</p> <p>Activities included 'Snug Homes for Auckland' – a joint sector project led by the</p>	<p>Inequalities in health exist between different populations groups, such as ethnic groups, people living in different geographical areas, in women and men and in people living in areas with a high NZ deprivation index.</p> <p>Not all children in New Zealand are equally healthy. There are significant and growing inequalities amongst New Zealand children: Māori and Pacific children, as well as children from lower socio-economic families, experience relatively poor health.</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
		Energy Conservation Authority. Acceptance by all funders of families of children with respiratory illness as the primary focus for assistance under the scheme; and a Memorandum of Understanding with Housing NZ signed	

# Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context																																																																																																
<p>4.6 Use of secondary mental health services</p>	<p>Revise access criteria for community mental health services</p> <p>Implement treatment initiatives for community mental health centre clients experiencing psychotic symptoms</p> <p>Explore options for enhancing the delivery of community-based acute services in Auckland DHB</p> <p>Allocate Blueprint funding as per the Annual Plan for 2006/07 and out-years</p> <p><b>Performance measure</b>                      Numerator: Number of people domiciled in region who are seen by mental health services                      Denominator: Projected population of DHB                      By ethnicity and by age (0–19; 20–64; 65+)</p> <p>Performance measure                      Numerator: Number of people domiciled in region who are seen by mental health services                      Denominator: Projected population of DHB                      By ethnicity and by age (0–19; 20–64; 65+)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <caption>2005-06: One-month access rates for ADHB</caption> <thead> <tr> <th colspan="2"></th> <th>Total</th> <th>Maori</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Child and youth 0–19 years</td> <td>Target</td> <td>0.4</td> <td>0.4</td> <td>0.4</td> </tr> <tr> <td>Actual</td> <td>0.3</td> <td>0.35</td> <td>0.29</td> </tr> <tr> <td rowspan="2">Adult 20–65 years</td> <td>Target</td> <td>1.2</td> <td>2.05</td> <td>1.12</td> </tr> <tr> <td>Actual</td> <td>0.98</td> <td>1.92</td> <td>0.91</td> </tr> <tr> <td rowspan="2">Older people &gt;65 years</td> <td>Target</td> <td>1.1</td> <td>1.1</td> <td>1.1</td> </tr> <tr> <td>Actual</td> <td>1.14</td> <td>0.69</td> <td>1.15</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <caption>Targets 2006–07: One-month access rates ADHB (%)</caption> <thead> <tr> <th></th> <th>Total</th> <th>Maori</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Child and youth: 0–19 years</td> <td>1.6</td> <td>1.6</td> <td>1.6</td> </tr> <tr> <td>Adult: 20–65 years</td> <td>2.5</td> <td>2.5</td> <td>2.5</td> </tr> <tr> <td>Older people:&gt;65 years</td> <td>3.15</td> <td>3.15</td> <td>3.15</td> </tr> </tbody> </table>			Total	Maori	Other	Child and youth 0–19 years	Target	0.4	0.4	0.4	Actual	0.3	0.35	0.29	Adult 20–65 years	Target	1.2	2.05	1.12	Actual	0.98	1.92	0.91	Older people >65 years	Target	1.1	1.1	1.1	Actual	1.14	0.69	1.15		Total	Maori	Other	Child and youth: 0–19 years	1.6	1.6	1.6	Adult: 20–65 years	2.5	2.5	2.5	Older people:>65 years	3.15	3.15	3.15	<p><b>Performance 1 July 2006 – 30 June 2007</b></p> <p>Achievement on target at 30 June 2007, see attached report</p> <p style="text-align: center;">✓</p> <p>Entry Criteria for all Mental Health Services has been published.</p> <p>The Hearing Voices therapeutic groups are an example of new treatment initiatives that are now available for community mental health centre clients who experience long term psychotic symptoms.</p> <p>The Acute Home Based Treatment Service commenced in November 2006. As of February 2007, 58 clients had received intensive, acute services in their home.</p> <p>Detailed development plans have been established for the 2006-2010 periods for new Blueprint funding. These plans have been through a structured selection process.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <caption>Targets 2006–07: One-month access rates ADHB (%)</caption> <thead> <tr> <th></th> <th>Total</th> <th>Maori</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Child and youth: 0–19 years</td> <td>1.60%</td> <td>1.60%</td> <td>1.60%</td> </tr> <tr> <td>Adult: 20–65 years</td> <td>2.50%</td> <td>2.50%</td> <td>2.50%</td> </tr> <tr> <td>Older people:&gt;65 years</td> <td>3.15%</td> <td>3.15%</td> <td>3.15%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <caption>Actuals 2006–07: One-month access rates ADHB (%)</caption> <thead> <tr> <th></th> <th>Total</th> <th>Maori</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Child and youth: 0–19 years</td> <td>0.96%</td> <td>1.22%</td> <td>1.11%</td> </tr> <tr> <td>Adult: 20–65 years</td> <td>1.80%</td> <td>3.14%</td> <td>1.70%</td> </tr> <tr> <td>Older people:&gt;65 years</td> <td>3.25%</td> <td>1.94%</td> <td>3.30%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <caption>Actuals 2006–07: One-month access rates ADHB (%)</caption> <thead> <tr> <th></th> <th>Total</th> <th>Maori</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Child and youth: 0–19 years</td> <td style="text-align: center;">x</td> <td style="text-align: center;">x</td> <td style="text-align: center;">x</td> </tr> <tr> <td>Adult: 20–65 years</td> <td style="text-align: center;">x</td> <td style="text-align: center;">x</td> <td style="text-align: center;">x</td> </tr> <tr> <td>Older people:&gt;65 years</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">x</td> <td style="text-align: center;">✓</td> </tr> </tbody> </table> <p>Overall <span style="float: right; font-size: 2em;">x</span></p>		Total	Maori	Other	Child and youth: 0–19 years	1.60%	1.60%	1.60%	Adult: 20–65 years	2.50%	2.50%	2.50%	Older people:>65 years	3.15%	3.15%	3.15%		Total	Maori	Other	Child and youth: 0–19 years	0.96%	1.22%	1.11%	Adult: 20–65 years	1.80%	3.14%	1.70%	Older people:>65 years	3.25%	1.94%	3.30%		Total	Maori	Other	Child and youth: 0–19 years	x	x	x	Adult: 20–65 years	x	x	x	Older people:>65 years	✓	x	✓	<p>There is a need to measure progress towards the targets for access to treatment and support services identified in the New Zealand Health Strategy. There is a specific focus on Māori access rates.</p>
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## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.7 Reducing Inequalities	<p><b>Recognise the Treaty of Waitangi</b></p> <ul style="list-style-type: none"> <li>• Continued work with Treaty partners and the Maori Health Advisory Committee to improve health gain</li>   <li>• Progress He Korowai Oranga, ADHB Maori Health Plan</li>   <li>• Monitor Maori health status</li>   <li>• Achieve targets set for increasing spend on Maori health services (8% increase for 2006/07)</li>   <li>• Improve PHO performance for Maori</li>   <li>• ADHB achieves Ministry expectations under He Korowai Oranga-01</li> </ul>	<p>✓ There is a Memorandum of Understanding between Auckland District Health Board and Te Runanga o Ngati Whatua.</p> <p>✓ The Auckland DHB Draft Maori Health Plan (Te Aratakina - "A pathway forward") has been reviewed and will be submitted to the Maori Health Advisory Board</p> <p>✓ Auckland DHB has completed a health needs analysis for the Auckland resident Maori population. This has been used to inform the Auckland DHB Maori Health Plan.</p> <p>✗ increase 5%</p> <p>✓ Comparing the 2006 Census data and PHO enrolment highlights that that 87% of the Maori population were enrolled with an Auckland DHB PHO by the 1st April 2007</p> <p>✓ see above</p>	



## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
<p>4.7 Reducing Inequalities (contd.)</p>	<p>Implement the New Zealand disability strategy</p> <p>Objective 1: Enabling Informed Choices</p> <p>Objective 2: Supporting Quality health and integration of services</p> <p>Objective 3: Timely Access</p>	<p>The Pacific Team supply administrative, policy and secretarial support to the Committee</p> <p>We have been working with Auckland City to investigate areas where the two organisations could work more closely together eg the overlap of interests with the two disability advisory committees.</p> <p>The DHB is assisting Auckland City Council with a research project to establish the number of disabled people in the city and their needs.</p>	

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.7 Reducing Inequalities (contd.)	<p>Objective 4: The needs of Older Maori will be met</p> <p>Objective 5: Promoting Population based Health Promotion Initiatives</p> <p>Objective 6: Timely access to Primary and Community services</p> <p>Objective 7: Integration of Community services with secondary care admissions</p> <p>Objective 8: Coordinated services for clients with high and complex needs</p>	<p>Establishment of a bi-monthly forum open to all key publics and interest groups</p> <p>Older people and their advocates are now actively involved as members of DHB groups</p> <p>Services have continued to more closely align to one another through DHB facilitation of initiatives such as the Pandemic Planning expert group and the Combined Quality Group</p> <p>communication between the two</p> <p>The DHB continues to expedite more timely access to appropriate services by discharging clients from acute care to the community in cases where funding responsibility is not clear.</p> <p>Discussions have continued to ensure that the needs of kaumatua and Kuia are taken into account during the final stages of consultation in the drafting of Healthy Ageing 2020.</p>	

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.7 Reducing Inequalities (contd.)		<p>A review of the nutritional needs of over 65's has commenced with a target group being assessed for nutritional vulnerability and the development of a balanced programme to compliment or replace the existing Meals on Wheels arrangement underway            Collaboration has been enhanced across all aspects of the sector through increased communication and facilitation of combined projects – see also comments under Objectives 1 and 3</p> <p>The DHB continues to expedite more timely access to appropriate services by discharging clients from acute care to the community in cases where funding responsibility is not clear. This ensures that a timely and appropriate service is accessed by the client whilst funding discussions are maintained behind the scenes between agencies.</p> <p>Work around realignment of assessment services to more flexible packages of care has been discussed at length with all key stakeholders and this work will be undertaken through the Community services sub group, which will be formed once the umbrella strategy Healthy Ageing 2020 is signed off in August.</p>	

## Achievement of Statement of Intent Performance Targets

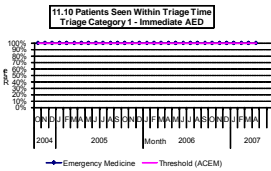
### Targets that relate to the goal: Performance Improvement

Area of activity	Targets through to 2009	Performance Recorded for 06/07	Relevance, Discussion & Context
4.8 DHB staff work-related injury or illness	<p><b>2006/07</b></p> <ul style="list-style-type: none"> <li>• Improve staff retention. Staff turnover (voluntary) 16%</li>   <li>• Manage staff health. Sick leave rate 2.4% (based on Ministry HBI reporting)</li>   <li>• Manage injury rates. Workplace injuries. Lost time injury frequency rate, or LTIFR 7.0.</li> </ul> <p><b>Performance measure</b></p> <p>Numerator: all occurrences of work-related injury or illness resulting in time lost from work during the quarter.</p> <p>Denominator: the total number of hours worked by all employees during the quarter.</p>	<p>Target 16%</p> <p>Actual 12.5%     ✓</p> <p>Target 2.4%</p> <p>Actual 2.8%     ✗</p> <p>Target 7.0</p> <p>Actual 6.0     ✓</p>	<p>DHBs with excessively high turnover may be considered not to be a 'good employer'.</p> <p>Sick leave is considered by the Ministry of Health to be an indicator of organisational health.</p> <p>Minimisation of workplace injuries is a 'good employer' obligation.</p>

# Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context																																																																																																																																																																																																																		
<p>4.9 Ambulatory sensitive hospitalisation</p>	<p>Establish interdisciplinary assessment programme for 65+ with strong links to primary care</p> <p>Establish a Child Health Advisory Group for Auckland to implement the ADHB Child Health Improvement Plan</p> <p><b>Performance measure/standard definition</b></p> <p>Numerator: Total number of hospital discharges (as identified by relevant ICD10 codes)</p> <p>Denominator: Current census populations using medium projection.</p> <p>By ethnicity and by age (&lt;5; 5-14; 15-24; 65-74)</p> <p><b>T A R G E T</b></p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th colspan="5">Ambulatory sensitive hospital admissions</th> </tr> <tr> <th colspan="5">Rate per 1000 for October 2004-September 2005*</th> </tr> <tr> <th>Age</th> <th>Total</th> <th>Maori</th> <th>Pacific</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>&lt; 5</td> <td>47.00</td> <td>54.30</td> <td>89.90</td> <td>33.70</td> </tr> <tr> <td>5-14</td> <td>14.70</td> <td>19.60</td> <td>24.80</td> <td>10.80</td> </tr> <tr> <td>15-24</td> <td>11.90</td> <td>17.70</td> <td>19.50</td> <td>10.00</td> </tr> <tr> <td>65-74</td> <td>63.30</td> <td>84.60</td> <td>141.20</td> <td>54.40</td> </tr> </tbody> </table> <p><b>A C T U A L</b></p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th colspan="5">Ambulatory sensitive hospital admissions</th> </tr> <tr> <th colspan="5">Rate per 1000 for 12 months to Dec 2006</th> </tr> <tr> <th>Age</th> <th>Total</th> <th>Maori</th> <th>Pacific</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>&lt; 5</td> <td>46.75</td> <td>55.78</td> <td>73.66</td> <td>35.48</td> </tr> <tr> <td>5-14</td> <td>19.13</td> <td>27.00</td> <td>31.70</td> <td>13.56</td> </tr> <tr> <td>15-24</td> <td>14.82</td> <td>24.20</td> <td>27.24</td> <td>12.44</td> </tr> <tr> <td>65-74</td> <td>62.86</td> <td>99.72</td> <td>134.78</td> <td>53.47</td> </tr> </tbody> </table> <p><b>C O M P A R I S O N</b></p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th colspan="5">Ambulatory sensitive hospital admissions</th> </tr> <tr> <th colspan="5">Rate per 1000 for 12 months to Dec 2006</th> </tr> <tr> <th>Age</th> <th>Total</th> <th>Maori</th> <th>Pacific</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>&lt; 5</td> <td>✓</td> <td>x</td> <td>✓</td> <td>x</td> </tr> <tr> <td>5-14</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> </tr> <tr> <td>15-24</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> </tr> <tr> <td>65-74</td> <td>✓</td> <td>x</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table> <p>2006/07 ADHB achieves Ministry expectations under POP 13 i.e. if the DHB region and ethnic rate is significantly greater than the total NZ (all ethnicity) national rate (99% confidence interval) and DHBs provide information on the current and planned initiatives likely to influence future outcomes specifically for the effected population group(s).</p>	Ambulatory sensitive hospital admissions					Rate per 1000 for October 2004-September 2005*					Age	Total	Maori	Pacific	Other	< 5	47.00	54.30	89.90	33.70	5-14	14.70	19.60	24.80	10.80	15-24	11.90	17.70	19.50	10.00	65-74	63.30	84.60	141.20	54.40	Ambulatory sensitive hospital admissions					Rate per 1000 for 12 months to Dec 2006					Age	Total	Maori	Pacific	Other	< 5	46.75	55.78	73.66	35.48	5-14	19.13	27.00	31.70	13.56	15-24	14.82	24.20	27.24	12.44	65-74	62.86	99.72	134.78	53.47	Ambulatory sensitive hospital admissions					Rate per 1000 for 12 months to Dec 2006					Age	Total	Maori	Pacific	Other	< 5	✓	x	✓	x	5-14	x	x	x	x	15-24	x	x	x	x	65-74	✓	x	✓	✓	<p>✓ The Home Based Support Services project is underway to review the services provided to the Older Person in their homes. The project is designed based on consumer requirements, National vision and policies framework of ageing in place and the ADHB Healthy Ageing 2020 Plan.</p> <p><b>SEE ABOVE UNDER CHILD HEALTH</b></p> <p><b>TARGET</b></p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th colspan="5">Ambulatory sensitive hospital admissions</th> </tr> <tr> <th colspan="5">Rate per 1000 for October 2004-September 2005*</th> </tr> <tr> <th>Age</th> <th>Total</th> <th>Maori</th> <th>Pacific</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>&lt; 5</td> <td>47.00</td> <td>54.30</td> <td>89.90</td> <td>33.70</td> </tr> <tr> <td>5-14</td> <td>14.70</td> <td>19.60</td> <td>24.80</td> <td>10.80</td> </tr> <tr> <td>15-24</td> <td>11.90</td> <td>17.70</td> <td>19.50</td> <td>10.00</td> </tr> <tr> <td>65-74</td> <td>63.30</td> <td>84.60</td> <td>141.20</td> <td>54.40</td> </tr> </tbody> </table> <p><b>ACTUAL</b></p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th colspan="5">Ambulatory sensitive hospital admissions</th> </tr> <tr> <th colspan="5">Rate per 1000 for 12 months to Dec 2006</th> </tr> <tr> <th>Age</th> <th>Total</th> <th>Maori</th> <th>Pacific</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>&lt; 5</td> <td>46.75</td> <td>55.78</td> <td>73.66</td> <td>35.48</td> </tr> <tr> <td>5-14</td> <td>19.13</td> <td>27.00</td> <td>31.70</td> <td>13.56</td> </tr> <tr> <td>15-24</td> <td>14.82</td> <td>24.20</td> <td>27.24</td> <td>12.44</td> </tr> <tr> <td>65-74</td> <td>62.86</td> <td>99.72</td> <td>134.78</td> <td>53.47</td> </tr> </tbody> </table> <p><b>COMPARISON</b></p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th colspan="5">Ambulatory sensitive hospital admissions</th> </tr> <tr> <th colspan="5">Rate per 1000 for 12 months to Dec 2006</th> </tr> <tr> <th>Age</th> <th>Total</th> <th>Maori</th> <th>Pacific</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>&lt; 5</td> <td>✓</td> <td>x</td> <td>✓</td> <td>x</td> </tr> <tr> <td>5-14</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> </tr> <tr> <td>15-24</td> <td>x</td> <td>x</td> <td>x</td> <td>x</td> </tr> <tr> <td>65-74</td> <td>✓</td> <td>x</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table> <p>Overall <span style="font-size: 2em; vertical-align: middle;">x</span></p>	Ambulatory sensitive hospital admissions					Rate per 1000 for October 2004-September 2005*					Age	Total	Maori	Pacific	Other	< 5	47.00	54.30	89.90	33.70	5-14	14.70	19.60	24.80	10.80	15-24	11.90	17.70	19.50	10.00	65-74	63.30	84.60	141.20	54.40	Ambulatory sensitive hospital admissions					Rate per 1000 for 12 months to Dec 2006					Age	Total	Maori	Pacific	Other	< 5	46.75	55.78	73.66	35.48	5-14	19.13	27.00	31.70	13.56	15-24	14.82	24.20	27.24	12.44	65-74	62.86	99.72	134.78	53.47	Ambulatory sensitive hospital admissions					Rate per 1000 for 12 months to Dec 2006					Age	Total	Maori	Pacific	Other	< 5	✓	x	✓	x	5-14	x	x	x	x	15-24	x	x	x	x	65-74	✓	x	✓	✓	<p>Ambulatory sensitive admissions are admissions that are potentially preventable by appropriate primary health care (including outpatient services). If there is good access to effective primary health care for all population groups then it is reasonable to expect that there will be lower levels of ambulatory sensitive admissions.</p>
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## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.10 Emergency department triage times	<p><b>2006/07: Target 100%</b></p> <p><b>Performance measure</b></p> <p>The percentage of patients assessed as triage code 1 (extremely serious condition, e.g. not breathing) who have treatment commenced by a doctor or another health professional following approved protocol immediately on arrival at the emergency department.</p>	<p>100% ✓</p> 	<p>If an ED does not meet this ACEM benchmark it may mean there are patients waiting longer than the ideal time to see a doctor. The chart shows that the performance has been consistent through the year.</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.11 Daycase procedures	<p>The Hospital Benchmark Information (HBI) definition is:                      Numerator: number of elective procedures (from eligible list) performed as daycase. Denominator: total number of elective procedures (from eligible list) performed (as daycase or inpatient).                      2004/05 average for all DHBs 70.95%                      ADHB target is:  <b>2006/07 72.5%</b></p>	<p>The Ministry of Health no longer use this definition for calculating day stay %.                      Accordingly we report on the basis most recently adopted for Ministry benchmark reporting (HBI survey 6 months ended 31 December 2006)</p> <p><b>DHB Sector      40.5%</b>  <b>ADHB              44.0%</b></p> <p style="text-align: center;">✓</p>	<p>ADHB aims to promote cost effectiveness so that the best possible improvement in Aucklanders' health status and quality of life is achieved within the resources available.</p> <p>Elective procedures undertaken on a daycase basis cost less than the same procedures undertaken on an inpatient basis and are associated with reduced risk to the patient</p>

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.12 Service quality and safety	<p><b>Service Quality</b></p> <p>Clinical quality improvement work using Clinical Indicators. Improve Clinical Governance of Quality and Safety.</p> <p>Maintain Accreditation with Quality Health New Zealand; certification requirements are met</p> <p>“Improving Quality” integrated into Quality Planning</p> <p>Use the information systems project which is developing clinical services platform to evaluate the effectiveness of intervention at clinical unit level</p> <p>Use the regional incident reporting database to provide more detailed information about reported incidents and risk management strategies</p> <p><b>Overall Weighted Satisfaction per Customer Survey</b> 2006/07 &gt;=87%</p> <p><b>Hospital Acquired Bloodstream Infections (per thousand inpatient admissions)</b> 2006/07 6.8</p> <p><b>Complaints Resolved within 30 days</b> 2006/07 &gt;=60.0%</p>	<p>Benchmarked clinical indicators are reported regularly to the Clinical Board</p> <p>Accreditation secured in all provider arm services for a further three years.</p> <p>ADHB’s new Quality Framework has embedded quality management into the organisation’s management system.</p> <p>When the clinical specialty database is rolled out, it will be used as a platform for undertaking a range of clinical audit studies</p> <p>The reportable events database is providing rich and detailed information at different levels of the organisation, and is informing risk management strategies.</p> <p><b>89% ✓</b></p> <p><b>5.9 ✓</b></p> <p><b>54% ✗</b></p>	<p>ADHB seeks to maximise the quality of services, including cultural appropriateness, through effective monitoring and audit and the promotion of an organisational culture, which is supportive of quality initiatives enabling a systems approach to quality improvement.</p>

# Achievement of Statement of Intent Performance Targets

## Targets that relate to the goal: Live Within Our Means

Area of activity	Targets through to 2009	Performance Recorded for 06/07	Relevance, Discussion & Context
4.13 Manage costs within agreed budgets	<p>Volumes within contracted levels with volumes split into ADHB residents and others (contract and others)</p> <p>Costs recovered from ACC and others</p> <p>National Prioritisation Framework and SPNIA used in decision making</p> <p>Population-based funding managed for inter-district flows and pricing deficiencies</p> <p>Referred services spend managed</p> <p>Improvements on the costing system and business intelligence systems</p> <p>Staff numbers within budgeted FTE levels</p> <p>Service reviews completed and findings implemented (through to 2009)</p>	<p>Each month ADHB produces reports showing its activity split by purchaser</p> <p style="text-align: center;">✓</p> <p>From YTD June 2006 to YTD June 2007 ACC revenue has increased from \$12.5m to \$13.8m</p> <p style="text-align: center;">✓</p> <p>The national prioritisation framework is used as part of ADHB's resource allocation decisions.</p> <p style="text-align: center;">✓</p> <p>Where necessary, ADHB uses its PBF to balance its overall budget, even where deficits arise through pricing issues.</p> <p style="text-align: center;">✓</p> <p>(see data on IDF's below) ✓</p> <p>Initiatives have included: Formation of a new data warehouse, addition of new data sources and use of new software.</p> <p style="text-align: center;">✓</p> <p>Budget 7,366 Actual 7,324</p> <p style="text-align: center;">✓</p> <p>Service review findings and recommendations were incorporated into 07/08 budgets</p> <p style="text-align: center;">✓</p>	



## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 0607	Relevance, Discussion & Context
4.15 Specific measures of financial performance	<ul style="list-style-type: none"> <li>Return on net funds employed <math>\text{Operating Margin/Net Funds Employed} \times 100</math></li> </ul>	Target (0607 Budget) - 7.06%% Actual -3.77% ✓	Return on net funds employed describes how well the DHB has used the funds at its disposal
	<ul style="list-style-type: none"> <li>Operating deficit to revenue <math>\text{Operating Deficit/Total Operating Revenue} \times 100</math></li> </ul>	Target (0607 Budget) -1.5% Actual -0.8% ✓	This measure helps to show the operating efficiency of the DHB - how well it can convert its 'sales' into a surplus from its day-to-day activities by its core operations
	<ul style="list-style-type: none"> <li>Debt to debt plus equity ratio <math>\text{Total Borrowings/Total Borrowings plus Equity} \times 100</math></li> </ul>	Target (0607 Budget) 53.6% Actual 52.34% ✓	Measures the percentage of the DHB's assets that are financed with debt

## Achievement of Statement of Intent Performance Targets

Area of activity	Targets	Performance Recorded for 06/07	Relevance, Discussion & Context
4.15 Elective Services Performance Indicators (ESPIs)	<ul style="list-style-type: none"> <li>Specialty-specific initiatives will be implemented (from Service Plans and ESPI recovery plans) to reduce the waiting list and improve ESPI compliance</li> </ul>		Improving electives was a priority in 2006-07. It is important that people have some degree of certainty as to treatment.
	<ul style="list-style-type: none"> <li>Orthopaedic Initiative (primary joint replacement: 06/07 plan) Total procedures completed 600 eligible joint replacements in 06/07 (base and initiative volumes)</li> </ul>	Target 600 Actual 423      ✓	
	<ul style="list-style-type: none"> <li>ESPI compliance by 30/09/06</li> </ul>	✓	
	<p>Ophthalmology Electives (Cataracts) Total procedures completed, target of 906 eligible cataract procedures in 06/07 (base and initiative volumes) on track</p>	Target 906 Actual 1,072      ✓	
	<ul style="list-style-type: none"> <li>ESPI 2 compliance by 31/12/06</li> </ul>	x (but compliant by 30 June 2007)	
	<p><b>Cardiothoracic Surgery</b> Less than 100 patients on the waiting list</p>	Target < 100 Actual 265      x	
	<p><b>ESPI and Waiting Times</b> Reduce waiting times and reduce waiting lists so that patients have greater certainty as to treatment and are seen more quickly</p>		
	<p><u>05/06 Target (Y/E)</u> ESPI 2    5%    2%    % waiting greater than 6 months</p>	0.3%      ✓	
	<p><b>ESPI 5    11%    5%    % waiting &gt; 6months</b></p>	2.7%      ✓	
	<p><b>ESPI 6    49%    15%    % waiting on active review list &gt; 6 months</b></p>	6.7%      ✓	

**AUDIT REPORT****TO THE READERS OF  
AUCKLAND DISTRICT HEALTH BOARD AND GROUP'S  
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2007**

The Auditor-General is the auditor of Auckland District Health Board (the Health Board) and group. The Auditor-General has appointed me, Gordon Fulton, using the staff and resources of Ernst & Young, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance of the Health Board and group for the year ended 30 June 2007.

**Qualified Opinion – Revaluation not accounted for in accordance with FRS 3: Property, Plant and Equipment**

Note 11 to the financial statements discloses two separate amounts for the value of land, buildings and associated fitout and services forming part of Property, Plant and Equipment ("the assets"). The fair value of the assets was independently assessed on 30 June 2007 by the valuer, Telfer Young (Auckland) Limited, at \$852,029,000. Also, at the request of the Health Board, the valuer carried out a valuation of the assets, excluding those parcels of land subject to restrictive covenants, and assessed a value of the remaining assets at \$680,551,000. The assets have been recorded in the financial statements of the Health Board at \$680,551,000. In our opinion, the revaluation has not been accounted for in accordance with Financial Reporting Standard No.3 Accounting for Property, Plant and Equipment ("FRS 3"), which requires the revaluation of all assets within a class of assets to be recorded at fair value. If the revaluation had been accounted for in accordance with the requirements of FRS 3, the effect on the financial statements would have been to increase the balance of Property, Plant and Equipment and the Revaluation Reserve in the Statement of Financial Position by \$171,478,000.

In our opinion, except for the failure to record the revaluation of land, buildings and associated fit outs and services in accordance with the requirements of FRS 3, the financial statements of the Health Board and group on pages 22 to 69:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects for each class of outputs:
  - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance at the start of the financial year; and
  - its actual revenue earned and output expenses incurred, as compared with the expected revenues and proposed output expenses included in the statement of forecast service performance at the start of the financial year.

The audit was completed on 4 October 2007, and 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 and the Auditor, and explain our independence.

## Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statements and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

## Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Health Board and group as at 30 June 2007 and the results of operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Health Board and group's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses at the start of the financial year. The Board's responsibilities arise from the New Zealand Public Health and Disability Act 2000 and the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This 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 Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the area of consultancy services, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interest in, the Health Board or any of its subsidiaries.



Gordon Fulton  
Ernst & Young  
On behalf of the Auditor-General  
Auckland, New Zealand