

Report of the

**NEW ZEALAND
ARTIFICIAL LIMB SERVICE**

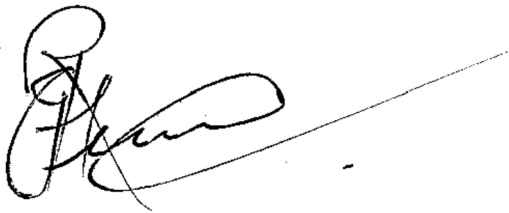
Peke Waihangā Aotearoa

**For the Year Ended
30 June 2013**

*Presented to the House of Representatives pursuant to Section 150 (3)
of the Crown Entities Act 2004*

To the Minister for Social Development

In accordance with the Crown Entities Act 2004, we present, on behalf of the New Zealand Artificial Limb Board (officially known as the New Zealand Artificial Limb Service), the Annual Report of the operations of the NZALS for the year ended 30 June 2013.

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George Reedy
Chair

25 October 2013

A handwritten signature in black ink, appearing to read 'Paula Tesoriero', with a long horizontal line extending to the right.

Paula Tesoriero
Board Member

25 October 2013

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About the New Zealand Artificial Limb Service¹

The New Zealand Artificial Limb Service (NZALS) is an autonomous Crown entity that provides a national prosthetic limb service for New Zealand amputees².

The functions of the NZALS, as defined by the Social Welfare Transitional Provisions Act 1990, are to:

- *manufacture, import, export, market, distribute, supply, fit, repair and maintain artificial limbs and similar devices*
- *provide rehabilitative and other services to persons in connection with artificial limbs and similar devices*
- *carry out research and development in relation to artificial limbs and similar devices*
- *advise the responsible Minister on matters relating to artificial limbs and similar devices.*

Under the Statement of Intent, the activities of the NZALS have been aligned to the following Government priorities:

An efficient and effective health sector. We invest in our amputees of all ages through rehabilitative services. These changes make a positive contribution to New Zealand as amputees who become more mobile and independent, contribute more to society. We pride ourselves on providing a high quality and efficient service.

Provide value for money. We undertake a programme of constant improvement. Some examples to reduce costs and increase effectiveness this year have included:

- a lean thinking+ approach to business. We focus on stock and inventory control and appropriate individualised prescriptions that match components closely to patient needs, mobility and lifestyle, leading to better outcomes for amputees
- research into and education around new technology and best practice
- training courses on amputee care for allied health professionals to increase knowledge/provide better service
- an outcomes measures project which consists of objective measures of a patientsq progress during their first vital year with the service. They are fully integrated into our patient management database forming a framework of measurable outcomes and form part of our non-financial reporting requirements as an autonomous Crown entity
- professional development opportunities for staff to update their skills as technology changes.

¹ The responsible Minister has agreed to the New Zealand Artificial Limb Board being officially known as the New Zealand Artificial Limb Service. The name change is being processed through the Statutes Amendment Bill currently before the House

² The term *amputees+* is a generic term used for the purposes of reporting. It includes those whose absence of limb/s is for congenital reasons, as well as through surgical interventions.

There are five Limb Centres located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, each of which also provides services in outlying areas on a regular basis:

From:	To:
Auckland Limb Centre	Whangarei Kaitaia New Plymouth
Hamilton Limb Centre	Gisborne Rotorua Tauranga
Wellington Limb Centre	Hastings Palmerston North Masterton Nelson Blenheim Wanganui
Christchurch Limb Centre	Greymouth
Dunedin Limb Centre	Invercargill

The Limb Service provided by the NZALS covers services that include consultation with prosthetics professionals, orthopaedic surgeons, vascular surgeons, rehabilitation physicians, physiotherapists and occupational therapists.

Contracts with the Ministry of Health and ACC provide the funding for most amputees, with a small number of war amputees being funded separately, and a small number of prostheses being provided by private contract. Co-operative relationships are fostered between staff of the Limb Service and district health boards, community organisations, the Amputees Federation of New Zealand and its regional societies.

New Zealand Artificial Limb Service

Chair's Report

Introduction

The NZALS continues to ensure a high level of service to New Zealand amputees. The satisfaction rating among our clients, at 95%, remains high and is testament to our focus on ensuring that services are relevant to their needs.

Maintaining this high level of service becomes increasingly difficult with core funding levels remaining static³ for well over a decade. This provided a continued challenge to the NZALS which has continued to work hard in tightening internal systems for greater efficiency and effectiveness while exploring funding issues and initiatives.

During 2012 and 2013, we have achieved a significant milestone in the ongoing challenge of matching funding with growing costs for limbs. NZALS secured separate funding from the Ministry of Health (MoH) for an expanded current stump sock subsidy to include liners and sleeves. The Ministry of Health agreed to fund an additional amount of approximately \$300,000 p.a. beginning 1 December 2012 through Health Benefits. More recently, the Board moved to establish two separate funding pools for high-cost components and for high-cost individuals. The *Specialised Technology* funding pool, for example, will be invaluable with the growing number of high-cost procedures such as osseointegration and increasingly high-technology componentry. The *MoH High Needs* Pool which will hold funds from the annual allocation, would enable a draw-down of funds specifically to supplement MoH funding for high cost limbs and high needs amputees. These funds will also be a means of sharing risk among the centres.

On that note, the first New Zealand osseointegration procedure took place on Tuesday 12 March 2013. With a high level of interest among New Zealand amputees, a report to the Board by a Christchurch orthopaedic surgeon recommended that in New Zealand a small number of established amputees, carefully assessed for suitability, be offered the surgery. The cost implications on current amputee services in this country are potentially significant with componentry and training alone. We recognise this as both an opportunity to improve the lives of amputees and, as such, a necessity in order to provide continued improvement and excellence in service to our clients. Unsurprisingly, the initial osseointegration procedure carried out on a New Zealander in Australia late last year aroused media attention as did the follow-up in Christchurch and the subsequent surgery.

The NZALS continued to promote scholarship in the area of prosthetics, with this year a La Trobe Student Placement, funded by the Service. The student is spending eight weeks on clinical placement at the Wellington Limb Centre. Additionally, research in the area of innovation was proactively supported by NZALS in the form of a contestable research fund. This year, the research fund supported a study by Otago Physiotherapists into lower back pain among lower limb amputees. While demand for such specialist training in New Zealand is not sufficient for specific tertiary qualification, the Board sees possibilities for continued promotion of study and training in prosthetics through partnerships such as these and support of New Zealand students training abroad. The ongoing availability of this fund encourages the support of research and innovation in the area of prosthetics and related subject matter, with the goal of promoting creativity and scholarship in this area and ultimately improving the lives of amputees.

The ongoing challenge for NZALS is the expected increase in the future of vascular and diabetes related cases that will impact on our ability to maintain our service quality. There are also financial concerns around rising costs of limbs and components where these can significantly improve independence and mobility outcomes for amputees.

To address this, we have implemented a number of initiatives to deliver efficiencies. Further, we

³ Small FFT increases eroded by increasing technology costs

are addressing options for self-funded services where these are outside core artificial limb requirements. We also note the greater demand on services in the Auckland region and are reviewing long-term trends to develop strategies to meet these.

NZALS sees further opportunities to help amputees to continue to contribute to our society. This includes working toward meeting expectations for new technology limbs, achieving value for money and providing better rehabilitation services that extend the life and use of limbs. Additionally, an important part of what we do includes bringing together allied health service providers to promote increased accessibility of services to amputees.

The Year in Review

Once again, Government aims in the health sector have formed a framework for the year's operations:

- Delivering better public services
- An efficient and effective health sector
- Value for money

The NZALS worked with its range of initiatives to contribute to these goals. International discussion and innovation remains a significant part of the NZALS's philosophy as both a manufacturer of limbs and a public service provider for New Zealand amputees. As such, the Service continued to ensure our clinical staff remained up-to-date on the rapid changes occurring in the prosthetics industry. In doing so, the Board supported a number of visits to overseas conferences and training initiatives for staff as a means to keep skills relevant and to ensure we are providing the most efficient cost-effective solutions for amputees. NZALS works closely with suppliers and trainers from within the industry both here in New Zealand and abroad. Such opportunities for staff to keep abreast of developments during the past year included training sessions on the latest technology and componentry from two leading suppliers of prosthetic componentry. Staff attended courses in Australia on rehabilitation, microprocessor knee prosthetics certification and an international osseointegration conference.

The ISPO World Congress is held every three years in various cities around the world. In January 2013, the congress was held, for the first time, in an emerging country, India. The party from New Zealand consisted of an orthopaedic surgeon and physiotherapist, the National Prosthetics Manager and a further physiotherapist who funded her own trip. At the Congress, a New Zealand Artificial Limb paper titled 'National Quality Registries of Amputation, Prostheses and Outcomes after Lower Limb Amputation' presented the concept of using the NZALS patient management system to provide non-financial measures of performance. To have such a framework of measurable outcomes is necessary for the NZALS as an autonomous Crown entity, in order to meet a range of legislative requirements. The subsequent report feeds into the Service's reporting and assists in setting benchmarks.

The Christchurch Limb Centre lease is in the final stages of agreement between NZALS, MSD and Canterbury District Health Board before being finalised and executed during the 2014 year. The earthquake repairs to the Christchurch Limb Centre have been completed, with the building assessed for earthquake soundness, however at the time of writing this annual report, the earthquake soundness report is still pending. Also during the 2013 year, a variation was signed and completed for Hamilton Limb Centre carpark arrangements. A three year variation on the Dunedin Limb Centre building has been signed by the NZALS Board who are waiting for the Southern District Health Board to complete the agreement at their end. From 1 May 2013, NZALS was no longer liable to pay annual rent for the Dunedin Limb Centre, this will result in future annual savings of \$72,274.

The experience gained from the temporary closure of the Wellington Limb Centre earlier in the year was used as an opportunity to review and improve the NZALS Business Continuity policies and procedures. The Service's emergency preparedness and other risk mitigation procedures were updated and cooperation with complimentary health and disability services explored.

During the month of June, preparation of the reviewed M ori and EEO plans took shape, with Tikanga training planned for all staff across the organisation over the coming year. The NZALS equal employment opportunity (EEO) survey of last year set benchmarks against which to report changes. This is reported under the EEO section of this report. The survey showed that 87% of staff are frontline or directly supporting frontline staff.

As the Paralympics New Zealand (PNZ) continued to work their way through the early trial period of identifying athletes who will participate in the next Paralympics in Rio 2016, the NZALS continued to offer assistance in the form of ongoing communications throughout the organisation and among amputees across the country. The Dunedin Artificial Limb Centre Manager, acting as the NZALS liaison for the PNZ team, stayed in close contact with the organisers and participated in the Dunedin and Auckland talent camps, which were well attended by amputees.

The Dunedin camp focused, in particular, on the next World Championships and Paralympic Games and saw more experienced athletes attending and focused around the pathway towards the 2015 IPC Athletics World Championships and Rio 2016 Paralympic Games. The Paralympic Talent Identification Manager extended a special thanks to the Dunedin Artificial Limb Centre Manager for his contribution during the Dunedin selection camp phase. The NZALS continues to maintain detailed records of prosthetic services provided to athletes and continues to correspond and meet, when necessary, with PNZ. Regular reviews of PNZ identified athletes are ongoing and a full review of the MOU between NZALS and PNZ is due in November 2013.

For the past four years the Dunedin Limb Centre has utilised a gait analysis software package to record a number of patient gait patterns for assessment and comparison. The initial use of the system was to gain a visual record of primary amputees completing their TUG⁴ tests. Since then we have been able to make second and some third recordings of the same patient so that we maintain a visual record of progress. As a clinical assessment tool there are a number of advantages to this system, such as the slow motion playback capacity, highlighting issues as they appear. This has proven to be a useful physiotherapy and teaching tool, with the capability to catch snapshots of specific jobs completed with unique alignments for future reference. The system is being made available to the Vera Hayward centre for child development to be used in the assessment of development milestones.

A sobering report on M ori and Pacific Island amputees was presented to the Board in March 2013. This report was shared with a number of relevant organisations including Te Puni Kiri, and Diabetes New Zealand. The known high incidence of Diabetes in M ori patients is very evident in this analysis. Diabetes as the reported cause of amputation for new M ori Referrals in 2011-12 was more than twice as high as for all New Referrals for that year. The huge difference between the New Referrals and the Current Patients' amputations sadly reflect the low survival rate of this group. The high incidence of diabetes as a cause of amputation for New Referrals is again higher for Pacific amputees than all referrals, but not quite as high as the M ori figures.

Over the past year, the Board has continued to review the way in which the service operates and its cost drivers. Operating within a tight fiscal environment, costs have risen and continue to challenge the NZALS in meeting growing amputee expectations. Increasingly, prosthetists will be expected to prescribe the latest technology, including microprocessor knees and myo-electric arms. Some of these are now becoming accepted as mainstream prescription following the significant advances brought about by increased international investment in technology. There is a far greater awareness of the technology available by amputees through the internet and this fuels expectations.

Early in 2013, an osseointegration trial took place when a bi-lateral amputee travelled to Sydney to have the Integral Leg Prosthesis system (ILP) surgically implanted into both femurs. There was a high level of interest among amputees and the medical fraternity in New Zealand. Subsequently, a Christchurch orthopaedic surgeon was charged with running an evaluation in New Zealand and a further recipient underwent the osseointegration surgery in New Zealand at Burwood Hospital in March of this year. This amputee is just coming to the end of her rehabilitation process and is progressing well. The ILP recipients have been fitted with microprocessor knees. The evaluation was due to end in July.

⁴ TUG . Timed Up and Go Test used for measuring amputee outcomes by NZALS

Increased expectations means the Service will be required, at a minimum, to meet international best practice standards for New Zealand amputees. Technology is changing so rapidly now that even prostheses which would have been considered high tech five years ago are now standard for prescription, as are ancillary improvements such as liners for limbs as opposed to stump socks, which had been used for the past 40 years. The average cost of new limbs has risen steadily since 2006, on average, 31 percent more in 2012 than in 2006. The average cost of maintenance and adjustment rose by 28 percent, with componentry being the largest contributor.

The Board is facing these challenges head-on and thinking and planning strategically for the future. Our logic in preparing for a fast-changing and fiscally challenging future is that investing in helping individuals to achieve their own potential has rewards for the individual, their family, their community and society in general. The cost benefits from such an investment would lead to improvements in amputee self-confidence, increasing their potential to retain greater independence and mobility. In the case of longer term amputees, it will also enhance their self-sufficiency, capability, employability and productivity.

Financial Results

The Statement of Comprehensive Income shows gross revenue (excluding interest) applied to operations of \$8,576,000 which compares with \$7,937,000 in the previous year. Income is derived principally from contracts with ACC for trauma-based amputees and with the Ministry of Health agent, Capital & Coast District Health Board, for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations. In addition, income is received from payments on behalf of war amputees, private insurers, health benefits and private supply.

Operational costs for the year ended 30 June 2013 totaled \$8,355,000 (June 2012 by comparison was \$8,183,000) resulting in a surplus of \$221,000 on operations for the year before interest. This is the first surplus on operations since year ending 30 June 2010 and is the result of tightened criteria on health funded multiple limbs as the NZALS puts in place new initiatives to contribute towards a sustainable service. Two new pools held in reserves have been established for this purpose as disclosed in Equity note 14 on page 51. Interest earnings increased this surplus to \$396,000 compared with a deficit of \$79,000 for the previous year.

The NZALS's financial position remains strong with \$3,804,000 in General Funds and \$2,446,000 in reserves for specific future needs as identified by the Board.

The Year Ahead

During the coming year, the Board has confirmed its continued priorities, core to the strategic direction of the organisation as being that of:

- providing a high quality and more accessible rehabilitative service
- ensuring we have resources and staff to achieve our aims
- investing further in amputee welfare to facilitate and extend their independence and mobility, thereby providing the broader NZ health sector with significant savings
- operating as an effective and efficient enterprise
- monitoring and evaluation, research and development.

It will continue to consolidate and develop current work items through:

- bridging the gap between projected costs and Ministry of Health funding (eg. Sleeves and liners initiative in 2012)
- developing a plan to meet the needs of areas with projected growth; as part of a broader review of service delivery nationwide
- keeping services current and in-line with international best practice in this rapidly changing technology-based health service environment
- continuing quality assurance and clinical compliance initiatives with regular prescription review to enhance efficiency and effectiveness in prescription of limbs and continued professional development
- funding and monitoring research, to promote continued innovation and to understand further the needs of amputees and those facilitating their rehabilitation
- continuing to implement outcomes measurement of all new patients and gathering data for further analysis
- providing technical support for amputee athletes as identified by Paralympics NZ/Sport NZ
- contributing to the public good through the provision of training to health professionals and community health.

Membership of the Board

Board members are appointed by the Minister for Social Development under the Crown Entities Act 2004. Membership is determined by the Social Welfare (Transitional Provisions) Act 1990 which provides the nominating bodies and has a significant influence on the composition of the Board.

Board membership at year-end was:

Chair	Claire Johnstone (up to January 2013) George Reedy (from February 2013)
Members	Richard Sainsbury Faye Sumner (from March 2013) Paula Tesoriero Barry Tietjens Kerry Wilfred-Riley

Conclusion

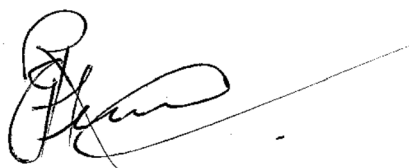
The past year has heralded some significant new developments in the world of prosthetics . providing possibilities for amputees that were unimaginable even a few years ago. While we continue to strive to deliver our best service possible to amputees in a timely and cost-effective manner, we are also working hard behind the scenes to anticipate future changes and demands on the service. While this may seem simply like standard business planning, we are endeavouring to look more strategically in a fiscally challenging public sector environment with increasing public expectations of service delivery and innovation. With such possibilities for amputees in achieving their goals, and to living more fulfilling lives, our preparedness is more important than ever.

Adhering to Government requirements through our delivery of compliance documentation requires a great deal of time and are a reflection of our organisational goals, activities and fiscal management. All the while we are striving to achieve the very best for each and every amputee who requests our assistance, in addition to addressing the increasing costs of new limb technologies and growing expectations of amputees.

I replaced Claire Johnstone as Chair of the NZALS Board from 1 February 2013 with Faye Sumner joining the Board in March 2013. As a fellow Board member of Claire's over the past few years I'd like to echo the sentiments of the NZALS Board and Senior Management and thank Claire for her dedicated support and time given to the organisation during her tenure.

The commitment of the NZALS goes beyond compliance and manufacturing. All staff, management, physiotherapists, and medical specialists are striving for the same outcome . an amputee with a high level of satisfaction, who is fully integrated back into society and has an improved sense of wellbeing. This commitment is reflected in the high approval ratings they achieve. Thanks also to staff from other agencies who support our work.

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2013.

A handwritten signature in black ink, appearing to read 'George Reedy', with a long horizontal line extending to the right.

George Reedy
Chair

Governance and Accountability Statement

Role of the Board

The Minister has appointed a governing Board. The Board's governance responsibilities include:

- communicating with stakeholders to ensure their views are reflected in NZALS planning and strategies
- determining the strategic priorities and focus necessary to achieve the outcomes expected by those stakeholders
- delegating responsibility for achievement of specific objectives to the Chief Executive
- monitoring organisational performance towards achieving objectives
- maintaining effective systems of internal control
- accounting to the Minister on plans and progress against those plans.

NZALS Operations

The Board has appointed a Chief Executive to manage all the NZALS operations. All other employees of the NZALS have been appointed by the Chief Executive and report to him. The Board directs the Chief Executive by delegating responsibility and authority for the achievement of objectives through setting policy.

Board members who have specific expertise provide mentoring and advice as appropriate.

Board Committees

As a relatively small Crown entity, there has been little necessity for the appointment of standing committees of the Board, apart from one that deals with the performance review of the Chief Executive.

Working committees are appointed as needed, for example the Research Committee.

Equal Employment Opportunity

The NZALS developed an EEO plan that addressed the elements of being a good employer . this was updated towards the end of the 2012-2013 year. The Mainstream placement programme ended on 13 January 2013, and three National Office staff left during the year with two new replacements made. Two full-time prosthetists resigned at the end of the year and it is expected that new appointments will be made for these positions during 2013-2014.

Priorities for the year were that:

- review of prescription policy was continued
- remuneration was reviewed under the collective agreement with the Public Service Association
- job descriptions were to be reviewed where necessary.

In addition, policies covering bullying and harassment and discipline were in place; health and safety issues were addressed through compliance with the relevant Government Acts such as the Hazardous Substance and New Organisms Act 1996, as well as through regular staff health and safety meetings.

The Limb Service conducted an EEO survey in April 2011 to establish benchmarks against which to report changes:

- FTE:** Changes from 45.4 at the beginning of the financial year, to 43.1, against a benchmark of 47.5.
- Age:** The staff were weighted higher in the older age groups than the general New Zealand workforce.
- Ethnic profile:** The staff were heavily weighted towards NZ European (86%) with the remainder describing themselves as Asian or Other. There were no M ori or Pacific staff, although two M ori staff resigned over the past five years.
- Gender:** The majority of the staff were male (62%) compared with female (38%). Support staff were predominantly female, and physiotherapists were all female.

The NZALS continued its practice of employing staff on a flexible or part-time basis (19%). In the disability area, the organisation provided a part time position under the Mainstream programme during the year, which finished in January 2013.

Health and safety issues are of paramount importance in a manufacturing-type environment and were routinely addressed at staff meetings. Extensive training was received by staff and is documented on page 24 of this report. Opportunities for clinical placements were provided for students of prosthetics and orthotics, physiotherapy and podiatry.

A Competency Working Group met a number of times over the course of the year to seek clarification on and discuss issues around assessment processes and objective competency measures among staff. This included addressing the competencies of staff, up-skilling, renewal of certification, required industry standards and providing support where necessary. The members of the Working Group recommended a ~~re-~~write of standards for all the existing Scale Competencies as necessary before the removal of the Sixth Schedule from the Collective Employment Agreement.

The NZALS continued to improve its ~~good~~ employer standing as outlined in the Human Rights Commission Annual Review Report 2012 of Crown Entities which was published in March 2013. Its rating as ~~Good Employers~~ has now been received and the NZALS has a current ranking at 4th equal in a scale of 1-19 where 1 is high (along with 7 other Crown Entities) of the 92 Crown Entities reviewed.

Governance Philosophy

Board Membership

Board members are appointed by the Minister for Social Development as the responsible Minister, on the nomination of various bodies as determined by the Social Welfare (Transitional Provisions) Act 1990. The Board is composed of members who have diverse skills and experience to bring a wide contribution to policy issues. Once appointed, all members are required to act in the best interests of the NZALS. Members acknowledge that the Board must stand unified behind its decisions; individual members have no separate governing role outside the Board.

Connection with Stakeholders

The Board acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain in touch with the responsible Ministers' expectations⁵. Quarterly reports inform the Minister.

Division of Responsibility between the Board and Management

A key to the efficient running of the NZALS is that there has been a clear division between the roles of the Board and management. The Board concentrates on setting policy and strategy, then monitors progress towards meeting objectives. Management is concerned with implementing policy and strategy. The Board endeavours to clearly demarcate these roles by ensuring that the delegation of responsibility and authority to the Chief Executive is concise and complete, while providing mentoring and ideas-based experience for assisting management.

Accountability

The Board meets approximately monthly to develop strategies and policies, to monitor progress toward its strategic objectives and to ensure that the affairs of the NZALS are being conducted in accordance with the Board's policies.

Conflicts of Interest

The Board ensures members are aware of their obligations to declare interests and act appropriately.

Internal Control

While many of the Board's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Board. Internal controls include the policies, systems and procedures established to provide assurance that specific objectives of the Board will be achieved. The Board and management have acknowledged their responsibility by signing the Statement of Responsibility on page 16 of this report.

Risk Management

The Board acknowledges that it is ultimately responsible for the management of risks to the NZALS including business continuity. The Board has charged the Chief Executive through its risk management policy with establishing and operating a risk management programme. This has been reviewed and updated during the financial year.

⁵ The Minister for Social Development is the formal Minister responsible for the New Zealand Artificial Limb Service. However, the Minister for Senior Citizens has been given responsibility for day-to-day matters.

Legislative Compliance

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. It has delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them. It monitors such compliance issues.

Ethics

The Board has adopted both the Public Service Code of Conduct and a NZALS Code of Conduct, and expects Board members and staff to maintain high standards of ethical behaviour and practise the principles of good corporate citizenship.

Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions; or any reports or indications that show non-conformance with the principles set out in the Code of Conduct.

Directions Issued by Ministers

No directions were issued by the Minister for Social Development. She did, however, provide a Letter of Expectations listing specific priorities for 2012-13:

- continue to review the way in which the Board delivers services to amputees, focusing on ways in which it can enhance partnerships, improve efficiency through technology, address gaps in training and thinking strategically in terms of funding and future-proofing the service
- complete actions arising out of the Board's property management review, focusing on resolving the status of the Dunedin Limb Centre, and addressing damage to the Christchurch Limb Centre
- report to Ministers on the funding formula used to fund the treatment of amputees covered by the Health system, identifying ways in which the formula could be modified to take better account of the changes in technology
- review the level of support provided to high performance Paralympic athletes following the 2012 London Paralympics
- supporting Government's goal of a focused, efficient and productive State sector.

Statement of Responsibility for the Year ended 30 June 2013

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the NZALS's financial statements and the statement of service performance, and for the judgements made in them.

The Board of the NZALS has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board, these financial statements and statement of service performance for the year ended 30 June 2013 fairly reflect the financial position and operations of the NZALS.



George Reedy
Chair

25 October 2013



Paula Tesoriero
Board Member

25 October 2013

Independent Auditor's Report

To the readers of New Zealand Artificial Limb Service's financial statements and non-financial performance information for the year ended 30 June 2013

The Auditor-General is the auditor of the New Zealand Artificial Limb Board operating as New Zealand Artificial Limb Service (NZALS). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of NZALS on her behalf.

We have audited:

- the financial statements of NZALS on pages 33 to 56, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of NZALS on pages 20 to 22 and pages 29 to 31 that comprises the statement of service performance and outcomes.

Opinion

In our opinion:

- the financial statements of NZALS on pages 33 to 56:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect NZALS's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of NZALS on pages 20 to 22 and pages 29 to 31:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects NZALS's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 25 October 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non-financial performance information within NZALS's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect NZALS's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Social Welfare (Transitional Provisions) Act 1990.

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Service Performance for the Year ended 30 June 2013

Output Class: The NZALS operates under one output class: Provision of prosthetic and rehabilitation services to New Zealand amputees.

Output

During the year we continued to provide a life-long service to New Zealand amputees through:

- Limb Manufacture and Maintenance and
- Amputee Care and Rehabilitation.

These are very closely intertwined and interdependent. For example, the team approach to amputee care involves a medical specialist, prosthetist, prosthetic technician, and physiotherapist/occupational therapist. The contribution of each impact on the outcome for the amputee, but it would not be possible to separate them.

We therefore treat them as one output, but they are measured in different ways, as follows:

Limb Manufacture and Maintenance

For manufacture and maintenance we:

- prescribe
- fabricate
- maintain and repair
- then replace limbs when they wear out or the amputee's needs change.

Maintenance and repairs are an essential part of the service - jobs such as fitting and alignment adjustments, replacing worn or broken parts, easing pressure areas, or repairing or replacing cosmetic covers.

While it is not possible to accurately estimate volume for this demand-driven service, we ensure that we maintain capacity to meet needs based on previous years as these fluctuate from year to year. This year we have seen a reduction in output overall and this can be partly attributed to longer lasting components or timing or need for replacement limbs, tightened criteria on multiple limbs and the temporary closure of Wellington limb centre.

Two timeliness measures of Work in Progress have been developed that assume the limb will be completed within six weeks from the time an amputee is first seen by the clinical team. Six weeks has been chosen as a reasonable period to allow for healing time. Jobs over six weeks old are questioned by management to ensure that any delays are ~~%explained+~~. Explained delays are those beyond our control, such as incomplete healing, or the amputee has become ill or been unable to make appointments for limb-fitting. Unexplained delays are where NZALS is responsible and needs to redress the issue. Clearly, we want to keep these occurrences at a low level. We are pleased to report during the 2012/2013 year there was a significant drop in unexplained delays.

From stakeholder feedback and our experience since we introduced these, the measures can be misleading and since introducing these measures we have refined the figures to make the percentages involved more consistent and realistic. In future, we will use the total number of jobs per annum as the comparator for both the Work in Progress jobs and change descriptions from jobs with ~~%unexplained delays+~~ to jobs with ~~%delays for no good reason+~~.

Rehabilitation:

The NZALS is involved in only some of the patient journey through rehabilitation.

Initial Rehabilitation Fitting to ambulation Post ambulation
I Hospital physiotherapy | NZALS Physiotherapy | Community physiotherapy

As part of rehabilitation, amputees receive their first physiotherapy in hospital, further physiotherapy from NZALS and finally they are discharged into community physiotherapy care. Our rehabilitation is through early fitting and gait training. We provide maintenance and rehabilitation to ensure amputees continue to cope as changes occur throughout life. We contribute to amputee rehabilitation by working with other health service providers to develop greater expertise in amputee issues. A significant increase in inservice training offered by the NZALS is testament to the organisations increasing commitment to education and the sharing of information in amputee care and prosthetics (see page 32).

It is important that rehabilitation is established early as this leads to better outcomes for patients. Limb Service physiotherapists routinely prepare treatment plans for amputees who are assessed for limb fitting. These plans include mobility tests, referrals where needed (e.g. to GPs where there is skin breakdown), goal setting, etc. all of which contribute to the rehabilitation and quality of life of amputees. A rehabilitation plan is developed at the NZALS to ensure that comprehensive ongoing care and rehabilitation is established, which is a quality measure. Collection of this information has a time delay built in to allow for healing.

Rehabilitation plans, up to 2012, have been counted only for those who are fitted and complete the TUG test Measure 1 (walking test). Going forward, the new measure will electronically count plans for all patients. The effect of this is likely to lower the number, or percentage, of patients who receive rehabilitation plans, as the larger group includes those who go overseas, died etc. and the lower percentage is reflected in the estimates in the following table.

Output measure	Actual 2012	Est. Demand/ Benchmark 2013	Actual 2013
Manufacturing output:			
Quantity			
New limbs supplied	748	700-730	625
Limbs remodelled	173	200-225	56
Resockets	406	380-410	444
Maintenance/Serviceing jobs	9,313	9,400-9,600	8,587
Timeliness			
The average monthly total count of %Work in Progress+jobs active greater than six weeks will not exceed	16%	15%	12%
The average percentage of those with unexplained delays ⁶ will not exceed 50% (25% less than the previous average over 12 months)	30%	25%	12%

⁶ Over six weeks

Output measure	Actual 2012	Est. Demand/ Benchmark 2013	Actual 2013
Quality			
Client satisfaction			
The percentage of clients who are satisfied with the ⁷			
<ul style="list-style-type: none"> Services Overall Limbs 	<p>95%⁸</p> <p>87%</p>	<p>94% or more</p> <p>88% or more</p>	Not measured in this reporting year
Rehabilitation			
The percentage of new patients for whom rehabilitation plans are developed*	n/a new measure	71%	83%

*Timing takes into account delays for healing

Financial Performance

Output class:	Actual	Budget	Actual
Provision of prosthetic and rehabilitation services	2013	2013	2012
	\$000	\$000	\$000
Income			
Revenue from Crown	8,373	8,075	7,813
Interest income	175	172	167
Other revenue	203	111	124
Total income	8,751	8,358	8,104
Expenditure	8,355	8,186	8,183
Net surplus/(deficit)	396	172	(79)

⁷ Survey completed only every two-three years. Last survey carried out in June 2012.

⁸ Previous survey results conducted February 2010 . 96% Services overall, 88% Limbs

Cost effectiveness

The Service continues to closely monitor and manage its efficiency in the delivery of service. Stock was further reduced this year and below target, giving rise to both financial and operational efficiencies.

With the direct delivery of overseas supplied components to each Limb Centre, stock transfers out of the Wellington Central Store were reduced to approximately 25% of the volume previously transferred to branches, resulting in significant efficiencies including time, repackaging and courier costs. A further initiative to control stock levels also included an investigation into the cost of components percentage increases year-on-year from 2006 to 2012. With the reduction in stock levels the likelihood of stock impairment due to shelf life and obsolescence is decreased.

Cost Efficiency Measure: Stock management	Actual 2012	Benchmark 2013	Actual 2013
<p>To optimise the way in which the organisation holds inventory by working with overseas suppliers to:</p> <ul style="list-style-type: none"> • customise procurement process • maximise efficiency • reduce losses incurred due to shelf life and obsolescence 			
Maximum stock holding	\$703,237	<i>not to exceed</i> \$750,000	Improved \$674,567
Average stock turnover per year	5.3	<i>no less than</i> 3.2	Improved 5.7 times
Material write off, maximum % of total holding value of	1%	<i>not to exceed</i> 3%	Exceeded* 4.5%

* This year's stock impairment of \$32,000 is a result of residual holdings from earlier years where stock is no longer used in current prescriptions. These spare parts are now obsolete and include some high cost componentry items.

Service Performance

1 and 2: Global economic conditions and Government policy

Government priorities

Working co-operatively with other agencies. Quarterly reports, including public good issues, were provided to the Minister for Social Development.

ACC and the NZALS continue to refine existing robust co-ordinated systems, supported by IT, that enable fast and efficient processing of assessments and invoicing so that amputees receive an excellent service.

Close relationships also continued between Limb Centres and Amputee Societies at a local level and with the Amputees Federation of New Zealand at a national level. NZALS staff have very good interactions with individual amputees, intrinsic in the culture of the service.

There has been close co-operation during the year between the Ministry for Social Development and the NZALS on a property plan. This has involved all the Limb Centres. The Board's ongoing maintenance programme ensures the Limb Centres comply with building requirements and meet building compliance and safety standards.

Quality through maximising referrals. Co-ordination between District Health Boards and the NZALS continued with regard to referrals of amputees, primarily through physiotherapists. This quality measure is designed to check that appropriate referral practices occur at hospitals, as well as making sure no amputee falls through the gap. The most recently reported rate of referrals of 85% is based on 2011-2012 hospital statistics, down slightly on the previous year.

Those amputees not referred were for sound reasons - complicated above knee amputations, diabetes and older age groups associated with high levels of co-morbidities. We thank the Ministry of Health for its help with this aspect of our work.

Quality service through staff training. Emphasis is placed on ongoing development/training of all staff with new overseas technology and procedures and international best practice. In 2012-13, staff attended 30 technical courses and 10 general training courses. Staff have been encouraged to keep structured records, as a way of monitoring and recording continuing professional development. This process is also reviewed independently by external parties to ensure practice adheres to specific professional standards, within a public sector framework.

3. Service delivery and organisational capability

Lease Agreements for the National Office and the Hamilton variation were finalised during the year. Final negotiations are continuing with Christchurch and Wellington. The Dunedin Limb Centre lease arrangements were addressed by the CE with Southern DHB's General Manager. Older Persons Health, Clinical Support & Community Directorate have now agreed a three year variation to the existing one year extension and variation document. The management of property issues included repairs and ongoing maintenance, in addition to necessary upgrades. As from 1 May 2013, NZALS is no longer liable to pay annual rent for the Dunedin Limb Centre. This is an annual saving of \$72,274.

Contract compliance. The NZALS has two main contracts, with the District Health Boards and ACC.

The NZALS complied with its contractual requirements with the District Health Boards and ACC, to whom it reported directly, and regularly through quarterly reports.

The *Specialised Technology* and *High Needs* funding pools serve to meet the growing expectations of amputees with the advancement of technology and increased costs around componentry. This will ensure greater value for money and a shared risk among centres, thereby

allowing for increased demand and escalating costs in a tight fiscal environment.

The regular facilitation of regional clinics also goes some way to meet the geographical spread of amputees. Demand, most notably in the north of the country, has grown and as a way of ensuring high accessibility, the NZALS has extended its service by way of regularly holding these regional clinics. Such clinics include those held in Kaitiāia, Whangarei, Tauranga, Gisborne, Palmerston North and Greymouth, to name a few.

4. Demographic change

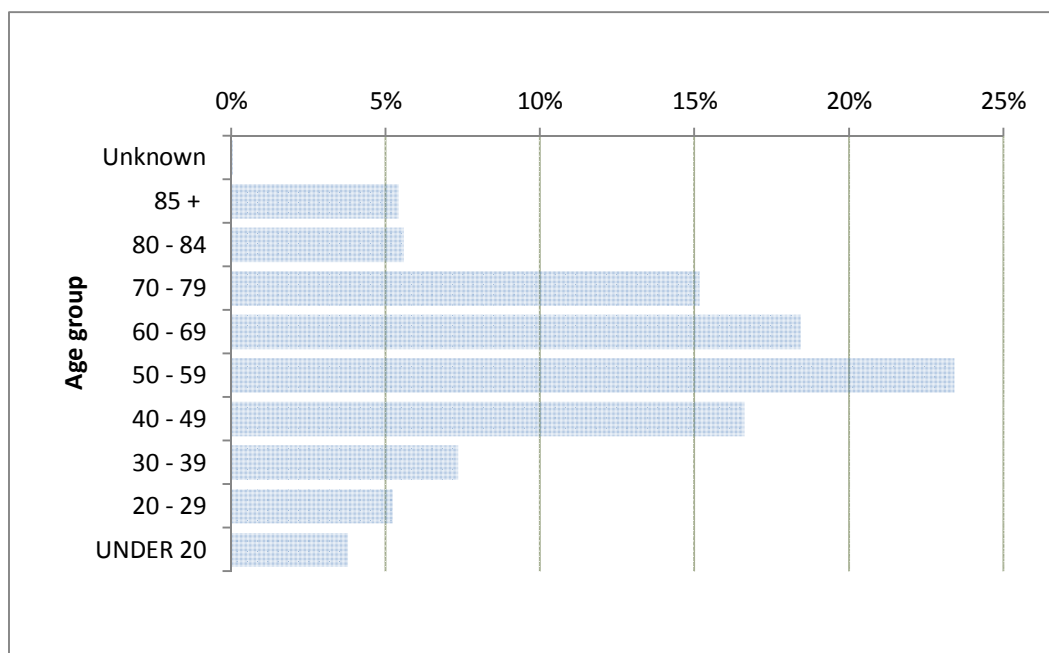
All Current Patients

As at 30 June 2013, the service catered to 4,259 (2012: 4,236) current patients registered with the NZALS throughout New Zealand.

The group was made up of 74% males, and 26% females. In ethnicity, 73% were New Zealand European, 13% M ori, and 7% were from the Pacific Islands. A variety of other ethnic backgrounds made up the remaining 7%.

All age groups were represented as shown by the following chart.

30 June 2013 All Current Patients by age group



New Referrals

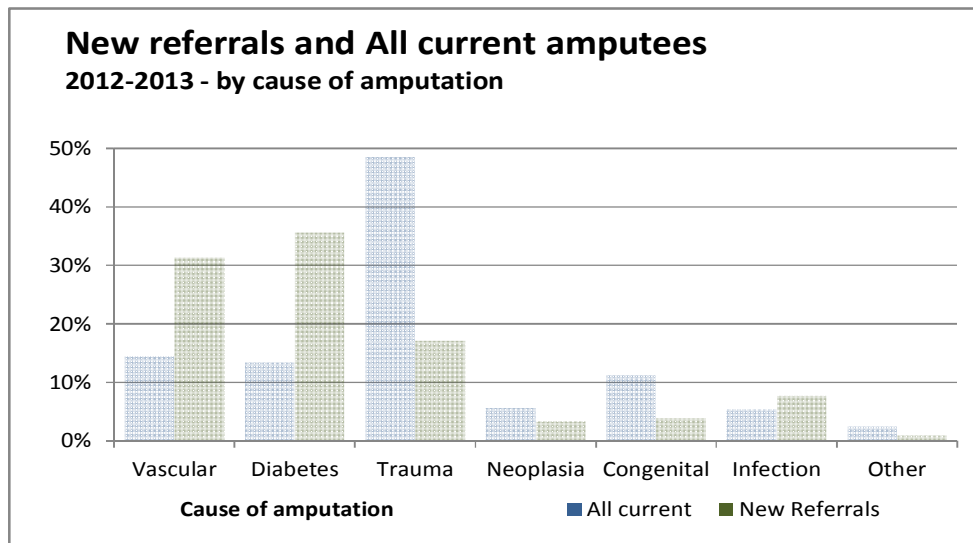
During 2012-13, the number of new patients referred to and registered with the NZALS was 380 compared with 393 for the previous year.

As at 30 June 2013, of the new referrals 68% were male and 32% female. The under-20 age group comprised of 4%, 34% were between 20 and 59 years, and 62% were over 60 years with the remaining 1% unknown. New Zealand Europeans made up the largest group at 64%, with 14% being M ori, 7% Pacific people and a range of others making up the remainder of 15%.

Some patients came to the NZALS for a pre-amputation visit, to assist them with their decision regarding amputation. In addition, there was a group of patients who attended after amputation

but were advised against using a prosthesis for a variety of reasons . too ill, too frail, or considered incapable of managing one. There was a further group of patients who did not get referred to the limb service at all after amputation because their clinicians had not advised this course. During the 2012-13 year, of the 380 people referred to the limb service, 88 were considered unsuitable for fitting, 13 decided of their own accord not to proceed, and 34 died during the year.

Those 380 newly registered had 417 amputations, which included 37 people with more than one amputation. Of these, 216 had amputations below knee level, 149 above knee, and 14 had upper limb amputations. A range of minor categories made up the remainder, for example hip disarticulations.



Of the Servicesq4,259 current patients, trauma accounted for 49% of amputations, vascular failure accounted for 27% (including diabetes 13%), and a variety of other causes such as congenital, infection and malignancy made up the remaining 24%. By comparison, 67% of new referrals to the Service were as a result of vascular failure (diabetes and peripheral vascular disease), 17% were a result of trauma and 16% accounted for other reasons such as congenital, infection, malignancy, etc.

The differences in numbers between new referrals and all current patients do not represent new trends, but reflect the short life expectancy of many vascular amputees compared with congenital amputees, traumatic amputees and many of the amputees for malignancy who are expected to spend many years as amputees. These disparities are evident when a comparison is made of new 2012-13 referrals entering the services against the current database as at 30 June 2013, as shown in the table above.

Lower limb amputations of various types accounted for the bulk (81%) of the limb service patients, with 12% having amputations of the upper limb. As a generalisation, the limb service is concerned with lower limb amputations anywhere between the mid-foot and the hip, and upper limb amputations between wrist and shoulder. Only a very few patients with amputations of the hand or fingers find prostheses useful. Amputations in the forefoot and of the toes are best dealt with by orthotics services.

5. Advances in technology and rehabilitation

The Board's newly established funding pool for high-cost components and high-cost individuals is called the *Specialised Technology Pool*. This designated funding pool, together with the *High Needs* funding pool will be invaluable with the growing number of high-cost procedures such as osseointegration and increasingly high-technology componentry, such as that used in microprocessor limbs. It will be earmarked specifically for this use.

With increased amputee knowledge and expectations, along with the growing number of prescriptions for high tech limbs, the NZALS recognises the need for continued investment in technology and staff training. Hand in hand with the growth in high tech componentry goes staff training and certification in the latest developments and practices around the making and using of these new products on the market.

6. Risk management

Following receipt of the previously mentioned engineer's earthquake assessment report, Capital and Coast District Health Board, owners of the Wellington Limb Centre building at 42 Mein Street Newtown, raised concerns over the safety of the building for NZALS staff and visitors to the Centre. On 27 March 2013, the Board made the decision, with the information to hand, to temporarily close the Centre, until it was made safe or further clarification on its status was received. The primary concern in any decision made by NZALS was that of staff and amputee safety. The Centre relocated to the Wellington Orthotic Centre in Thorndon, Wellington and services to amputees resumed with little disruption. Email and mail delivery were serviced from the National Office. The Board sought further clarification and discussion with the engineers, the buildings owners and MSD who made it clear that the building did not pose a risk to staff or visitors but minor remedial work was required to bring it up to a higher earthquake rating. The Centre re-opened to full capacity on 6 May 2013, with planning and consent work for minor remedial improvements underway.

The Board has used this experience to review and improve relevant policies and procedures, particularly around health and safety for staff and continuity in services. Co-location with an existing Orthotics provider certainly assisted greatly in maintaining amputee services with the minimum of disruption to our clients. A preliminary discussion has already begun to ensure this arrangement could be replicated at other Limb Centres.

Auckland Limb Centre underwent further upgrades during the year, including a complete refurbishment of the lamination and plastering rooms which included the replacement of old flooring, a hot water cylinder and installation of improved work benching. Final work was carried out on the Christchurch Limb Centre which completes the earthquake repairs.

In an ongoing review process, all NZALS policies, from communications, records management and informed consent to guidelines about research and investment are being assessed, updated, and organised in line with Government guidelines and Audit requirements. Constant updates and regular reviews are a very necessary part of the NZALS work to ensure relevant external events are taken into account such as legislative changes, unforeseen events and circumstances and changes in related government procedures.

Strategic directions for NZALS' operations

A Impacts/outcomes

The NZALS will provide monitoring and evaluation, and undertake research and development to ensure it is in the forefront of professional practice and expertise.

Research

The continued support of research benefiting amputees this year has seen some interesting projects on the go. The Board's contestable research fund was intended to promote innovation and expertise in this field. The first applications were invited just before the end of the previous financial year in 2012.

One such example is the project by Senior Lecturer in Automotive Electronics, Steve Liggett, who researched and designed an automobile push start mechanism for amputees. The Push Button Ignition system is designed to aid amputees with an upper extremity amputation by having a start/stop feature which replaces the very awkward and uncomfortable maneuver of twisting the ignition key with a prosthesis. This relatively straight-forward installation can be easily installed by a qualified auto electrician and will not affect the resale of the vehicle. Steve Liggett works in the Transport Technology Department at Unitec Applied Technology in Auckland.

The grants given this year included the continued support for a research project being overseen by Prof Leigh Hale, Dr Daniel Cury Ribeiro and is being carried out by PhD Candidate Hemakumar Devan. This research project is ongoing and examines the occurrence of lower back pain in amputees with lower limb amputations. As part of this project, a national survey (questionnaire) is currently underway and a biomechanics study, which forms the main part of the research, will be undertaken in the latter part of 2014.

Internal research by NZALS included:

- analysis of outcome measures in December 2012
- a compilation of New Zealand Artificial Limb Service annual statistics
- hospital amputations statistics for the year 2012-13 through the Ministry of Health
- evaluations continued on new products such as Integral Leg Prosthesis implants
- research around and evaluation of osseointegration
- supported with props/cosmetic arms, a study on the brain and the perception of sensation and pain with mirror treatments
- promotion of Silicon Coach technology to associated health providers.

B. Organisation health and capability

The NZALS will provide a high quality rehabilitative service to people with limb loss by:

- (i) prescribing, constructing, fitting and servicing appropriate prostheses
- (ii) contributing to amputee rehabilitation, including working with other health service providers to develop greater expertise in amputee issues.

Quality through establishing Outcome Measures

In its 2012-2015 Statement of Intent, the NZALS outlined the framework⁹ for the outcome measures project and outlined the outcomes for New Zealand amputees that it aimed to measure:

- Mobility
- Independence
- Health-related Quality of Life
- Employability

A variety of objective and subjective measuring tools¹⁰ had been chosen to measure the outcomes, for example:

- a. *annual statistics* on all new amputations (see under Objective 2, below);
- b. *questionnaires and walking tests* that measured new lower limb patients at entry, three to six months later, and again a year later;
- c. *a postal survey* that canvassed a significant proportion of all the NZALS patients . this was carried out in June 2012¹¹.

Results from patient cohorts consisting of new patients who entered the New Zealand Artificial Limb Service system in June years are collected. Rolling benchmarks are set at averages over the three most recent years. In December 2012, the cohort for 2010-11 was measured and forms the basis for the following figures; this is the most recent data.

Health-related Quality of Life was also measured with an internationally widely-used questionnaire called the SF-12¹², which measures both physical and mental health.

For the physical scale, the average moved from 34 in Measure 1 to 39.8 in Measure 3. This was below the norm of 50 for the general population, and confirmed the patterns shown in the LCI5 and TUG tests.

The results for 2010-2011 participants for the Mental Health score showed a movement in the averages from 54 to 53.9 and to 53.2 over Measures 1, 2, and 3. These results were higher than the overall US population norm of 50 and comparable with other Australasian SF-12 and SF-36 surveys, which were between 52.0 and 53.8 for mental health scores¹³. Our results are likely to reflect the higher number of males and older people in the limb service database. These subgroups scored higher in the mental health scores in the two surveys with which we compared our results.

Of those measured, 45% of the 2010-11 cohort completed all three measures. Of the 96 patients measured three times, 78% demonstrated an improvement between Measure 1 and Measure 2, and 39 declined between Measure 2 and Measure 3. When taking over the entire period between Measure 3 and Measure 1 the number who declined was 20, though this does not take into account a) a possible improvement in the use of walking aids and/or b) an indication of the

⁹ Consistent with ACC and Ministry of Health goals

¹⁰ The NZALS seems to be pioneering the package approach and was presented at an international prosthetics conference in February 2013 in India

¹¹ NZALS Customer Satisfaction survey carried out every 2 . 3 years

¹² This and the SF-36 (with 36 questions) are the most widely internationally used health related quality of life measures.

¹³ *Quality of Life in South Australia* as Measured by the SF-12 Health Status Questionnaire, Department of Human Services, South Australia, March 2004; *Taking the Pulse*, the 1996/97 New Zealand Health Survey, Department of Health, 1999

fluctuation in health experienced by the amputee group over time.

Impact measure: Health related quality of life	Actual 2009-2010 cohort	Benchmark or Target	Actual 2010-2011 cohort
<i>Measured by SF-12¹⁴ health survey:</i>			
• The physical health scores average	39%	40%	39.8%
• The mental health scores average	52.8%	52%	53.2%

Employability was measured in the client survey June 2012. Of all respondents, 34% were in paid employment, and 89% of the total was of working age 18 to 64 years. If the 33% in paid employment area are assumed to be of working age, this is equivalent to 56% of the amputees of working age being in work (full-time, part-time or self-employed). It compares well with the 64% labour participation rate of New Zealanders 15 - 64 years with a disability, given that labour participation for this rate is a much wider definition that includes those who are unemployed and actively looking for work.

Of those in paid employment, 91% of amputees surveyed considered their limb enabled them to *work in employment*. Participation in voluntary work was reported by 17% of respondents. Almost one half of respondent who were in employment at the time of their amputation are still in employment today (48%). Another 29% are retired and 15% are beneficiaries; which may or may not be related to their amputation.

- one in two respondents who were in employment at the time they became an amputee (54 percent) stated that their amputation had led to a change in their occupational status:
- nineteen percent of respondents changed occupation without retraining. This included going into business, taking on less physically-demanding work, and job-sharing.
- fifteen percent retrained for a new occupation; many of whom became white collar workers (eg. clerical work, accountancy, finance).
- fourteen percent stayed with the same employer but changed jobs, including white collar work and less physically-demanding work.
- eight percent stayed in the same job but were now working different hours, including shift and part-time work.
- seventeen percent of respondents are currently involved in voluntary work. In general, volunteers are represented by all demographic sub-groups, regardless of gender, age or their employment/occupational status.

Impact measure: Employability	2010 Survey results	Benchmark or Target	2012 Survey results
<i>This measure is undertaken only every three years: through client satisfaction survey. Results June 2012 (previous survey February 2010)</i>			
Monitor extent to which artificial limb fitting contributes to amputee participation in paid employment and voluntary work			
% of amputees in paid employment that considered their limb provided them with the ability to work in paid employment	94%	no benchmark monitored only	91%
% of amputees involved in voluntary work	19%		17%

¹⁴ Short Form Health Survey, a 12 question survey divided into physical health and mental health sections

Questionnaires and walking tests. These are designed to measure the extent to which amputees achieve mobility and independence after they are fitted with artificial limbs. Two tests are used - a questionnaire - the Locomotor Capability Index¹⁵, and a walking test - the Timed Up and Go¹⁵ test. For both tests, Measure 1 is taken shortly after being fitted with an artificial limb, and Measure 2 is taken six months later.

The aim for mobility testing was that 71% of new lower limb amputees received treatment plans from physiotherapists¹⁶. This target was met, with 83% of new patients receiving rehabilitation plans.

New patients who completed measures 1 and 2 of the Locomotor Capability Index improved their overall median scores by 16.1%, compared with a 25% improvement the previous year.

The level of mobility and independence achieved six months after the initial limb fitting as a percentage of the optimal level of mobility and independence was 78.6%, exceeding the target of 77%.

Impact measure: Mobility & independence	Actual 2009-2010 cohort	Benchmark or Target	Actual 2010-2011 cohort¹⁷
<p><i>Measured by: Locomotor Capability Index (LCI5)</i></p> <p><i>The percentage gain in mobility and independence of primary lower limb amputees over a six month period after the initial limb fitting:</i></p> <p>The overall median scores of new patients who complete Tests 1 and 2 of the Locomotor Capability Index improve over six months by</p>	25%	26%	16.1%
<p><i>The level of mobility and independence achieved by new patients at 6 months after the initial limb fitting</i></p> <p>The median scores achieved after 6 months as a percentage of the optimal level of mobility and independence will be at least</p>	80%	77%	78.6%

Paralympics New Zealand

Under a Memorandum of Understanding, artificial limbs, training and technical support were provided for high performing amputee athletes by the NZALS and funded by Paralympics NZ. Paralympics NZ continue to work their way through the early trial period of identifying which athletes will receive what level of support for their participation in the next Paralympic Games in Rio 2016. Other athletes may also be identified as a part of their emerging athlete Programme.

Details of these programs and the athletes identified are advised to the Limb Centres as appropriate. The Dunedin Limb Centre Manager continues to manage this relationship on behalf of NZALS.

¹⁵ Questionnaire is task-oriented and evaluates the dependence-independence continuum based on empirical grounds

¹⁶ Walking test used for clinical purposes at individual level

¹⁶ This figure is equivalent to the number who are fitted and undergo a Measure 1 Timed Up and Go Test

¹⁷ New patients entering the NZALS system in June year, data is collected for 18 months after the close-off eg. 2010-2011 year closed off at 31 December 2012

Public good

Public good aspects of the work of the NZALS were incorporated into the Statement of Intent 2012-2015 and the Memorandum of Understanding with the Minister for Social Development. This remains an important part of the service and, as such, is closely monitored.

It had been noted in previous years that physiotherapists in the community were lacking in knowledge of amputee care and gait issues. The NZALS considered that workshops and seminars for physiotherapists on these topics could help redress this gap. Over time, the participants of workshops and seminars have expanded to include orthopaedic registrars, orthotists, occupational therapists, and rest home staff. This ongoing inservice training also addresses the often high rotational rate of these professionals in regional areas of New Zealand.

In all, 28 such education courses were delivered during 2012-2013. This is an increase on last year and demonstrative of the organisationsqincreasing commitment to education and the sharing of information in amputee care and prosthetics. It goes without saying that the greater the reach, the higher the likelihood of amputees having better outcomes. In line with an increased number of courses given, there was a larger number of participants at 183, and of those who completed evaluation forms¹⁸, 97.6% considered their understanding of amputee care had improved as a result(used as satisfaction level)¹⁹.

C Services to amputees and other clients

The NZALS will manage and enhance resources and skills to provide quality services in a changing environment

Students also benefited from both day placements at and tours of Limb Centres. Ten physiotherapy students had day placements in our Limb Centres. Presentations to many groups by centre managers, clinical staff and physiotherapists enhanced public understanding of our work; the challenges facing amputees and the advancement in technology in the move towards ever improved artificial limbs. Interested groups who visited the Centres included primary and secondary school students, together with university students. A Wellington Masters student attended La Trobe University in Melbourne, funded partially by a NZALS scholarship, during the 2012 . 2013 year. He is currently working at the Wellington Limb Centre and is still to complete the three year degree.

We provided resources to district health boards and Amputee Societies. Included were information packs about amputation and services available from the NZALS. In March, the National Prosthetics Manager gave a presentation on osseointegration to the Amputees Federation of New Zealand at their national conference.

Overall, the NZALS is confident that these initiatives will lead to enhanced care for amputees.

¹⁸ 67% completed evaluation forms

¹⁹ Note 1% were neutral

Statement of Comprehensive Income for the Year ended 30 June 2013

	Note	Actual 2013 \$000	Budget 2013 \$000	Actual 2012 \$000
Income				
Revenue from Crown	2	8,373	8,075	7,813
Interest income		175	172	167
Other revenue		194	111	124
Gains	3	9	-	-
<i>Total income</i>		8,751	8,358	8,104
Expenditure				
Personnel costs	4	3,378	3,367	3,237
Depreciation and amortisation expense	10,11	154	171	158
Other expenses	5	4,648	4,434	4,627
Rehabilitation		85	99	92
Training & Research		90	115	69
<i>Total expenditure</i>		8,355	8,186	8,183
Net surplus/(deficit)		396	172	(79)
Total comprehensive income/(loss)		396	172	(79)

Explanations of significant variances against budget are detailed in note 24.

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2013

	Note	Actual 2013 \$000	Budget 2013 \$000	Actual 2012 \$000
Assets				
Current assets				
Cash and cash equivalents	6	637	654	650
Debtors and other receivables	7	944	791	700
Prepayments		30	32	22
Inventories	8	936	935	897
Investments	9	3,678	3,273	3,533
<i>Total current assets</i>		6,225	5,685	5,802
Non-current assets				
Property, plant and equipment	10	878	1,375	971
Intangible assets	11	34	36	32
<i>Total non-current assets</i>		912	1,411	1,003
Total assets		7,137	7,096	6,805
Liabilities				
Current liabilities				
Creditors and other payables	12	419	610	462
Employee entitlements	13	409	336	411
<i>Total current liabilities</i>		828	946	873
Non-current liabilities				
Employee entitlements	13	59	78	78
<i>Total non-current liabilities</i>		59	78	78
Total liabilities		887	1,024	951
Net Assets		6,250	6,072	5,854
Equity				
General funds	14	3,804	4,147	3,752
Board created reserves	14	2,446	1,925	2,102
Total equity		6,250	6,072	5,854

Explanations of significant variances against budget are detailed in note 24.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year ended 30 June 2013

	Note	Actual 2013 \$000	Budget 2013 \$000	Actual 2012 \$000
Balance at 1 July		5,854	5,900	5,933
Total comprehensive income/(loss)		396	172	(79)
Balance at 30 June	14	6,250	6,072	5,854

Explanations of significant variances against budget are detailed in note 24.

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year ended 30 June 2013

	Note	Actual 2013 \$000	Budget 2013 \$000	Actual 2012 \$000
Cash flows from operating activities				
Receipts from Crown revenue		8,211	8,074	7,819
Interest received		162	173	181
Receipts from other revenue		194	111	124
Payments to suppliers		(4,942)	(4,579)	(4,754)
Payments to employees		(3,398)	(3,288)	(3,203)
Goods and services tax (net)		(31)	18	(38)
<i>Net cash from operating activities</i>	15	196	509	129
Cash flows from investing activities				
Receipts from sale of property, plant and equipment		-	-	-
Acquisition of investments		(145)	262	(47)
Purchase of property, plant and equipment		(49)	(540)	(64)
Purchase of intangible assets		(15)	(13)	(3)
<i>Net cash from investing activities</i>		(209)	(291)	(114)
Net increase/(decrease) in cash and cash equivalents		(13)	218	15
Cash and cash equivalents at the beginning of the year		650	436	635
Cash and cash equivalents at the end of the year	6	637	654	650

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of significant variances against budget are detailed in note 24.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Statement of accounting policies for the year ended 30 June 2013

Reporting entity

The New Zealand Artificial Limb Board (now known as the New Zealand Artificial Limb Service - NZALS) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, the NZALS's ultimate parent is the New Zealand Crown.

The NZALS's primary objective is to provide services to the New Zealand public, as opposed to that of making a financial return. Accordingly, the NZALS has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the NZALS are for the year ended 30 June 2013, and were approved by the Board on 25 October 2013.

Basis of preparation

Statement of Compliance

The financial statements of the NZALS have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

NZALS is a qualifying entity under the Framework of Differential Reporting as it is not deemed publicly accountable for this purpose and is a small entity.

Accordingly, NZALS has taken the following exemptions allowed under the Framework

- IAS 1 paragraph 122 & 125
- IAS 8 paragraph 30
- IAS 24 paragraph 17
- IFRS 7 paragraph 25
- IFRS 7 paragraph 27 . 42

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the NZALS is New Zealand dollars.

Changes in accounting policy

There have been no changes in accounting policy.

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

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the NZALS will be eligible to apply the reduced disclosure regime (Tier 2 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the NZALS will transition to the new standards in preparing its 30 June 2015 financial statements. The NZALS has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown

The NZALS principally derives its revenue from the Crown through contracts with the Ministry of Health and ACC for services to third parties. The funding is restricted in its use to the purpose of meeting the NZALS's objectives as specified in the statement of intent.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Provision of services

Revenue derived through the provision of services to third parties is recognised upon completion at the balance date.

Leases

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the NZALS are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Grant expenditure

Discretionary grants are those where the NZALS has no obligation to award on receipt of the grant application and are recognised as expenditure when deliverables approved by the Board have been met.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with domestic banks and other short-term, highly liquid investments with original maturities of three months or less.

Debtors and other receivables

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

Impairment of a receivable is established when there is objective evidence that the NZALS will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against

the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Investments

At each balance sheet date the NZALS assesses whether there is any objective evidence that an investment is impaired.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the NZALS will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

Inventories

Inventories are held for the provision of services and measured at the lower of cost (calculated using the weighted average cost method) and current replacement cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition. Inventories include stock on hand and work in progress.

Inventories classified as work in progress are valued at the weighted average cost at the time they were used. Labour is included at cost.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of comprehensive income in the period when the write-down occurs.

Accounting for foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit.

The NZALS does not currently use forward exchange contracts to hedge exposure to foreign exchange risk.

Property, plant and equipment

Property, plant and equipment asset classes consist of leasehold improvements, plant and equipment, furniture and fittings and computer equipment.

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the NZALS and the cost of the item can be measured reliably.

An item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZALS and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold Improvements	4.75 to 50 yrs	(2%-21%)
Plant and equipment	10 years	(10%)
Furniture and fittings	5 years	(20%)
Computer equipment	3 years	(33%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable at each financial year end.

Intangible assets**Software acquisition and development**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by NZALS, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of overheads. Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the NZALS's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	5 years	(20%)
Developed computer software	5 years	(20%)

Impairment of property, plant, and equipment and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the NZALS would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

Creditors and other payables

Creditors and other payables are recorded at their face value.

Employee entitlements**Short-term employee entitlements**

Employee entitlements that the NZALS expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The NZALS recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent the NZALS anticipates it will be used by staff to cover those future absences.

The NZALS recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Long service leave entitlements that are payable beyond 12 months have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for Government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver and the NZ Artificial Limb Service Superannuation Scheme with NZ Retirement Trust are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Defined benefit schemes

The NZALS makes contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 17.

Provisions

The NZALS recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and reported as a finance cost.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- General funds
- Board created reserves

Property occupancy reserve

This reserve is a contingency for purchase of property, relocation of limb centre, major modification or for alternative premises.

IT enhancement reserve

This reserve is for major upgrade of IT infrastructure outside the normal replacement of equipment in use.

Centre upgrading reserve

Purpose and future use of this reserve is for maintaining the presentation of centres.

Research and development reserve

This reserve supports the contestable research fund and other research and development projects within the field of amputee services.

Special funding reserve

Donated proceeds held by NZALS with individual caveats on how funds are to be spent.

MoH high needs pool

Newly established reserve funded by an amount set aside from the annual allocation to meet future service requirements of high-cost individuals; generally young amputees with multiple amputations.

MoH specialised technology pool

Newly established reserve funded by an amount set aside from the annual allocation to meet future requirement for specialised technology.

Goods and Service Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The NZALS is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the NZALS for the preparation of the financial statements.

Critical accounting estimates and assumptions

Estimating useful lives and residual values of property, plant and equipment

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the NZALS, and expect disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The NZALS minimises the risk of this estimation by:

- physical inspection of assets;
- review of second hand market prices for similar assets.

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

Long service leave

Note 13 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

Critical judgements in applying accounting policies

Leases classification

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

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

2 Revenue from Crown

The NZALS has been provided with funding principally from the Crown for the specific purposes of the NZALS as set out in its founding legislation. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding (2012: nil).

3 Gains

	Actual 2013 \$000	Actual 2012 \$000
Net foreign exchange gains	9	-
Total gains	9	-

4 Personnel costs

	Actual 2013 \$000	Actual 2012 \$000
Salaries and wages	3,286	3,098
Employer contributions to superannuation schemes	113	105
Increase/(decrease) in employee entitlements (note 13)	(21)	34
Total personnel costs	3,378	3,237

5 Other Expenses

	Actual 2013 \$000	Actual 2012 \$000
Fees to auditor		
Audit fees for financial statement audit	31	30
Board members' fees	78	80
Board members' expenses	17	27
Material costs	3,792	3,672
Operating lease expense	127	136
Consultancy	51	12
Net loss on sale of property, plant and equipment	-	5
Other	552	665
Total other expenses	4,648	4,627

6 Cash and cash equivalents

	Actual 2013 \$000	Actual 2012 \$000
Cash on hand and at bank	637	650
Total cash and cash equivalents	637	650

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

7 Debtors and other receivables

	Actual 2013 \$000	Actual 2012 \$000
Trade debtors	862	653
Other receivables	27	5
Interest accrual	55	42
Total debtors and other receivables	944	700

The carrying value of receivables approximates their fair value.

8 Inventories

	Actual 2013 \$000	Actual 2012 \$000
Materials	674	703
Work in progress	262	194
Total inventories	936	897

The NZALS does not currently hold any inventory for distribution (2012: nil).

The write-down of materials held for production amounted to \$32,000 (2012: \$2,814).

There are no inventories pledged as security for liabilities; however some inventories are subject to retention of title clauses until paid for in full.

9 Investments

	Actual 2013 \$000	Actual 2012 \$000
Current investments are represented by:		
Term deposits	3,678	3,533
Total investments	3,678	3,533

The weighted average effective interest rate for term deposits is 4.38% (2012: 5.02%).

There were no impairment provisions for investments.

The carrying amount of term deposits with maturities less than twelve months approximate their fair value.

10 Property, plant and equipment

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

	Leasehold Improvements \$000	Plant & equipment \$000	Furniture and fittings \$000	Computer Equipment \$000	Total \$000
Cost or valuation					
Balance at 1 July 2011	998	741	356	240	2,335
Additions	-	31	18	15	64
Disposals	-	(1)	(30)	(24)	(55)
Balance at 30 June 2012	998	771	344	231	2,344
Balance at 1 July 2012	998	771	344	231	2,344
Additions	-	4	30	15	49
Disposals	-	-	(4)	(19)	(23)
Balance at 30 June 2013	998	775	370	227	2,370
Accumulated depreciation and impairment losses					
Balance at 1 July 2011	220	536	318	199	1,273
Depreciation expense	49	60	14	24	147
Impairment losses	-	-	-	-	-
Eliminate on disposal	-	(1)	(21)	(25)	(47)
Balance at 30 June 2012	269	595	311	198	1,373
Balance at 1 July 2012	269	595	311	198	1,373
Depreciation expense	49	61	12	19	141
Impairment losses	-	-	-	-	-
Eliminate on disposal	-	-	(3)	(19)	(22)
Balance at 30 June 2012	318	656	320	198	1,492
Carrying amounts					
At 1 July 2011	778	205	38	41	1,062
At 30 June and 1 July 2012	729	176	33	33	971
At 30 June 2013	680	119	50	29	878

There are no restrictions over the title of the NZALS's plant and equipment, nor are there any plant and equipment pledged as security for liabilities.

11 Intangible assets

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

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 1 July 2011	253	540	793
Additions	3	-	3
Balance at 30 June 2012	256	540	796
Balance at 1 July 2012	256	540	796
Additions	15	-	15
Balance at 30 June 2013	271	540	811
Accumulated amortisation and impairment losses			
Balance at 1 July 2011	213	540	753
Amortisation expense	11	-	11
Balance at 30 June 2012	224	540	764
Balance at 1 July 2012	224	540	764
Amortisation expense	13	-	13
Balance at 30 June 2013	237	540	777
Carrying amounts			
At 1 July 2011	40	-	40
At 30 June and 1 July 2012	32	-	32
At 30 June 2013	34	-	34

There are no restrictions over the title of the NZALSC's intangible assets, nor are there any intangible assets pledged as security for liabilities.

12 Creditors and other payables

	Actual 2013 \$000	Actual 2012 \$000
Creditors	65	223
Income in advance	31	11
Accrued expenses	210	132
GST	113	96
Total creditors and other payables	419	462

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

13 Employee entitlements

	Actual 2013 \$000	Actual 2012 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	105	136
Annual leave	252	254
Sick leave	16	8
Long service leave	36	13
<i>Total current portion</i>	409	411
Non-current employee entitlements are represented by:		
Long service leave	59	78
<i>Total non-current portion</i>	59	78
Total employee entitlements	468	489

The present value of long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate the NZALS considered the interest rates on NZ Government bonds which have terms to maturity that match, as closely to possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns by an independent actuary. A weighted average discount rate of 4.2% (2012: 3.5%) and an inflation factor of 3.0% (2012: 3.0%) were used.

If the discount rate were to differ by 1% from the NZALS estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$5,400 higher/lower.

If the salary inflation factor were to differ by 1% from the NZALS estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$4,300 higher/lower.

14 Equity

	Actual 2013 \$000	Actual 2012 \$000
General funds		
Balance at 1 July	5,854	5,933
Surplus/(deficit)	396	(79)
Balance at 30 June	6,250	5,854
Less Board-created reserves		
Property occupancy reserve	(1,451)	(1,413)
IT enhancement reserve	(183)	(178)
Centre upgrading reserve	(155)	(183)
Research and development reserve	(329)	(316)
Special funding reserve	(12)	(12)
MoH high needs pool	(158)	-
MoH specialised technology pool	(158)	-
Closing general funds	3,804	3,752
Movement in Board reserves		
Property occupancy reserves		
Opening balance	1,413	1,483
Transferred from general funds	38	(70)
Balance as at 30 June	1,451	1,413
IT enhancement reserve		
Opening balance	178	178
Transferred from general funds	5	-
Balance as at 30 June	183	178
Centre upgrading reserve		
Opening balance	183	183
Transferred from general funds	(28)	-
Balance as at 30 June	155	183
Research and development reserve		
Opening balance	316	317
Transferred from general funds	13	(1)
Balance as at 30 June	329	316
Special funding reserve		
Opening balance	12	12
Transferred from general funds	-	-
Balance as at 30 June	12	12
MoH high needs pool		
Opening balance	-	-
Transferred from general funds	158	-
Balance as at 30 June	158	-
MoH specialised technology pool		
Opening balance	-	-
Transferred from general funds	158	-
Balance as at 30 June	158	-
Total Board created reserves	2,446	2,102

15 Reconciliation of net surplus/(deficit) to net cash from operating activities

	Actual 2013 \$000	Actual 2012 \$000
Net surplus/(deficit)	396	(79)
Add/(less) non-cash items		
Depreciation and amortisation expense	154	158
<i>Total non-cash items</i>	154	158
Add/(less) items classified as investing activities		
(Gains)/losses on disposal of property, plant and equipment	-	8
<i>Total items classified as investing activities</i>		8
Add/(less) movements in working capital items		
Debtors and other receivables	(252)	47
Inventories	(38)	16
Creditors and other payables	(43)	(55)
Employee entitlements	(21)	34
<i>Net movements in working capital items</i>	(354)	42
Net cash from operating activities	196	129

16 Capital commitments and operating leases

	2013 \$000	2012 \$000
Capital commitments	-	-
Property, plant and equipment	-	-
Total operating commitments		-

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2013 \$000	2012 \$000
Not later than one year	40	101
Later than one year and not later than five years	50	40
Later than five years	-	50
Total non-cancellable operating leases	90	191

The NZALS has commercial leases on two properties:

- Dunedin Centre lease . a three year variation has been agreed, extending the lease to 2016. This has been executed by the Board and awaiting SDHB to complete at their end. No commercial rent is payable with fixed outgoings of \$20,754 per annum.
- in Wellington, the National Office lease expires September 2015.

Auckland, Hamilton, Wellington and Christchurch Limb Centres are in premises provided as Crown assets at nominal rents and are managed through the Ministry of Social Development. Formal lease/sub-lease arrangements for Auckland and Hamilton were renewed during the 2012 year, sub-leases for Christchurch is nearing completion and Wellington progressing. NZALS is responsible for all associated outgoings and maintenance of these premises.

17 Contingencies

Contingent liabilities

Superannuation schemes

The NZALS is a participating employer in the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the NZALS could be responsible for any deficit in the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the NZALS could be responsible for an increased share of any deficit.

As at 31 March 2013, the scheme had a past service surplus of \$17.4 million (7.7% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

The Actuary of the Scheme has recommended the employer contributions are suspended with effect from 1 April 2011.

Contingent assets

The NZALS has no contingent assets (2012: \$nil).

18 Related party transactions and key management personnel

The NZALS is a wholly owned entity of the Crown.

All related party transactions have been entered into on an armslength basis.

Significant transactions with government-related entities

The Government significantly influences the role of the NZALS in addition to being its major source of revenue. The NZALS has been provided with funding, mainly through contracts from entities controlled, significantly influenced, or jointly controlled by the Crown of \$8.373m (2012: \$7.813m) for the provision of services to amputees.

Collectively, but not individually, significant, transactions with government-related entities

In conducting its activities, the NZALS is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The NZALS is exempt from paying income tax.

The NZALS also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$0.250 million (2012: \$0.325 million). These purchases included the purchase of electricity from Genesis, air travel from Air New Zealand, purchase of services from District Health Boards, and postal services from New Zealand Post.

Related party transactions disclosure:

Transaction			Transaction value year ended 30 June		Balance outstanding year ended 30 June	
			2013	2012	2013	2012
C Johnstone	Consultancy	(i)	2,000	-	-	-
B Tietjens	Clinical services & attendance fees	(ii)	4,000	4000	2,200	2000

(i) The NZALS paid consultancy fees to one individual Board member after their term with Board was completed. Amounts were billed based on contractual arrangements put in place and payable under normal commercial terms.

(ii) The NZALS paid fees to one individual Board member in relation to clinical services as a consulting surgeon. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

19 Board member remuneration

The total value of remuneration paid or payable to each Board member during the year was:

	Actual 2013 \$000	Actual 2012 \$000
G Reedy (Chair . new apt 2013)	16	10
C Johnstone (retiring Chair Feb 13)	19	30
L Peacock	-	2
R Sainsbury	10	10
F Sumner	3	-
B Teitjens	10	10
P Tesoriero	10	8
K Wilfred-Riley	10	10
Total Board member remuneration	78	80

There have been no payments made to committee members appointed by the Board who are not members of the Board during the financial year.

No Board members received compensation or other benefits in relation to cessation (2012: Nil).

20 Employee remuneration

Total remuneration paid or payable	Actual 2013	Actual 2012
100,000 . 109,999	1	2
110,000 . 119,999	2	1
120,000 . 129,999	1	1
130,000 . 139,999	1	-
140,000 . 149,999	-	-
150,000 . 159,999	-	-
160,000 . 169,999	-	-
170,000 . 179,999	-	-
180,000 . 189,999	-	-
190,000 . 190,999	1	1
Total employees	6	5

During the year ended 30 June 2013, no employees received compensation and other benefits in relation to cessation (2012: \$ nil).

21 Events after the balance date

There were no significant events after the balance date.

22 Categories of financial assets and liabilities

The carrying amount of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2013 \$000	Actual 2012 \$000
<i>Loans and receivables</i>		
Cash and cash equivalents	637	650
Term deposits	3,678	3,533
Debtors, other receivables and prepayments	974	722
Total loans and receivables	5,289	4,905
<i>Financial liabilities measured at amortised cost</i>		
Creditors and other payables	419	462
Total financial liabilities measured at amortised cost	419	462

23 Capital management

The NZALS's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

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

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

24 Explanation of significant variances against budget

Explanations for significant variations from the NZALS's budgeted figures in the statement of intent are as follows:

Statement of Comprehensive Income

Revenue

Revenue increase of \$371,000 on budget was a combination of increased output due to advanced technologies, including a number of microprocessor limbs supplied to amputees who underwent osseointegration procedure. Other revenue included \$100,000 funding for componentry purchased for the evaluation project of the Integral Leg Prosthesis system implant carried out in Christchurch.

Operating expenses

Other expenses were greater than budgeted by \$214,000, material costs being the most significant due to purchase of technically advanced microprocessor limb componentry.

NEW ZEALAND ARTIFICIAL LIMB SERVICE

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