

Report of

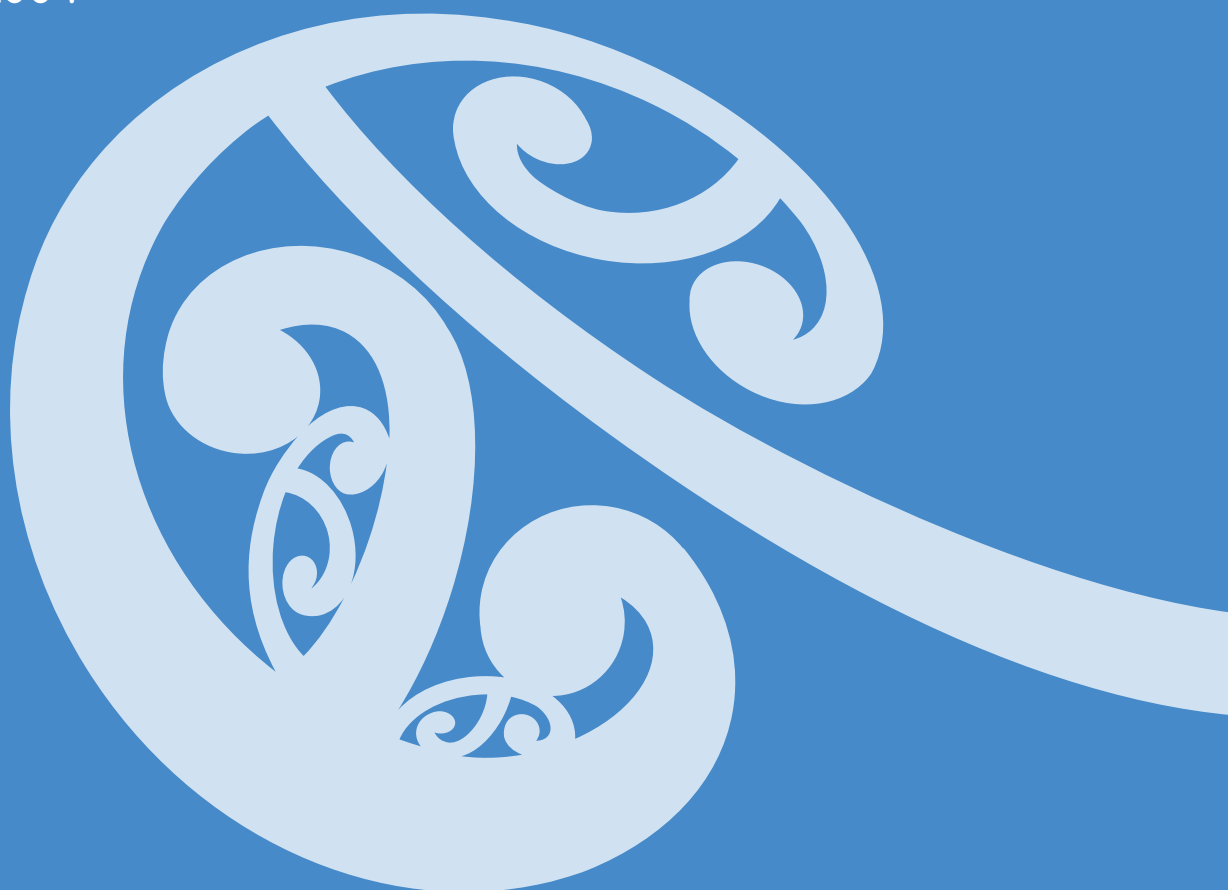
NZALS

New Zealand Artificial Limb Service

Peke Waihangā, Aotearoa

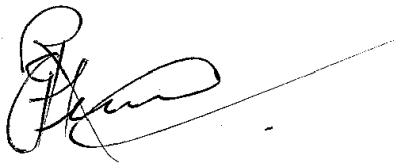
For the Year Ended
30 June 2019

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 section 151 of the Crown Entities Act 2004, we submit the Annual Report of NZALS for the year ended 30 June 2019.



George Reedy
Chair



Faye Sumner
Board Member

31 October 2019

31 October 2019

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Matakitenga

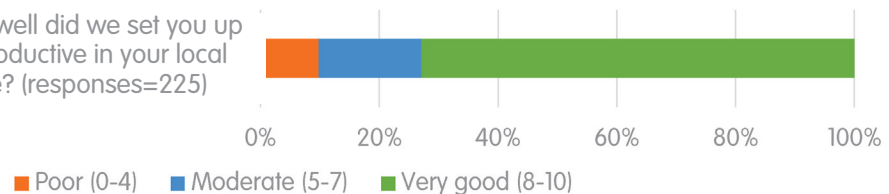
Kia motuhake me te whaihua ngā oranga o ō tātou tūroro.

Koromakinga

Kia noho motuhake te tūroro mā te whakarato i ngā ratonga peke waihanga me te whakarauora.

Delivering on our vision¹

All things considered, how well did we set you up to be independent and productive in your local community and at home? (responses=225)



The above graph shows this year's patient responses to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

Outcomes

Improvement comparison of new amputees from 2017/18 to 2018/19

Independence²

Mobility³

Amputee showing improvement

92%

90%

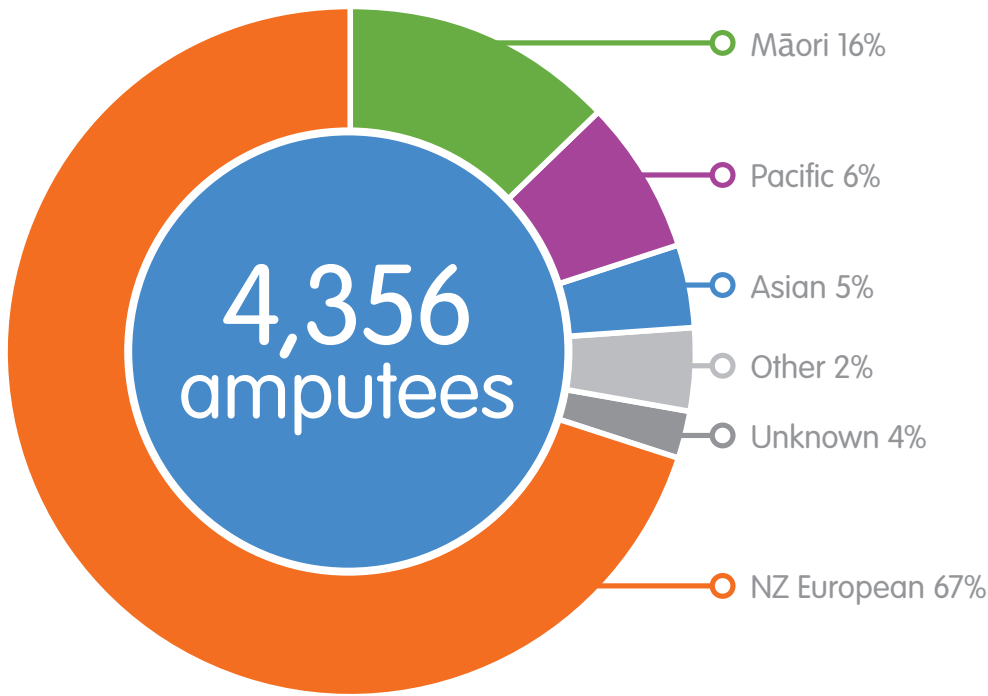
Average improvement

63%

42%

1. Latest available results; 2. Measured by Locomotor Capability Index (76 amputees); 3. Measured by Timed Up and Go (68 amputees).

2019 Snapshot of NZALS



Expert Workforce

- 4 Rehab Physicians
- 7 Orthopaedic Surgeons
- 1 Vascular Surgeon
- 13 Physiotherapists & Occupational Therapist
- 20 Device Technicians
- 21 Prosthetist/Orthotists
- 3 Peer Support Volunteers
- 14 Service Coordination & Support

amputees

73% male



27% female



This year:

431 new amputees

45% diabetes and vascular amputations

28% trauma amputations

27% congenital, cancer and infection amputations

979 days of structured and mentoring professional development

14% increase in completed jobs compared to last year

23% increase in rehabilitation therapy and support

Our locations

We have five Centres, located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, that support 14 Regional Clinic locations as shown below:



Chairman's report

Nau mai haere mai

He waka eke noa - We are all on this journey together, we work together, we aspire and achieve together. Together we encourage and inspire each other, together we can raise each other up.

This year has seen us deliver in all four parts of our 2021 strategy which this report highlights. These achievements and the potential opportunity to provide an improved service based on ACC's tendering of the Artificial Limb Service this year will have a significant impact on the people we care for.

Our new Peer Support Service has been launched in collaboration with Amputees Federation of New Zealand Inc. and Limbs 4 Life Australia. The Peer Support Service provides informal support to those adapting to limb loss by matching them with trained supporters who have 'been there, done that' and can relate to others in a similar situation to themselves. This is a huge development for NZALS and we are pleased to be able to offer this formal support for our patients as part of a wraparound service.

We have expanded our service offering by winning the Orthotics contract (in collaboration with Orthotic House) with the Waikato District Health Board. We established this new service under the brand of Orthotic Service Waikato in October 2018. This new service has received over 5,000 referrals and has received feedback of 97.5% Satisfaction (40 responses) and 100% Trust and confidence (38 responses).

This is our first step into providing meaningful amputation prevention and improved wrap around services for the people we care for.

Our expert workforce continues to be the driving force for our success. We reached 979 days of meaningful professional development this year. Additionally, we have engaged our staff in cultural competency training. We are very proud of our expert workforce as they continue to receive high trust and confidence scores from service users, through independent feedback as seen in this report.

This year, we created Silicone, Digital Manufacturing and Socket Technologies agile teams. These teams have been realising innovation that has had a direct impact on services for the people we care for. For example, 3D printed sockets, new casting techniques and board approval for a Silicone Studio.

We continue to support creative solutions in our technology and R&D, working closely with universities. For example, we collaborated on the following projects:

- Creating long term employment opportunities to strengthen our workforce; *Auckland University of Technology.*
- 3D printing prosthetics; *Victoria University of Wellington.*

We are dedicated to equitable services based on need. This has been demonstrated through amputees now receiving an average of 1.7 hours of rehabilitation each. This represents a 23% increase in rehab sessions provided per amputee over last year.

We continue to empower the people we care for with information. We want our service users to have the information they need to participate in their care. This year, we have distributed 6 consumer fact sheets to our centres and online, facilitated service users to have a voice through online social support groups like NZ Kids with Limb Loss and Artificial Limb Service's, and four Kids Get Active days through dSport (formally Parafed Wellington) in Auckland, Wellington, Christchurch and Dunedin this year. This great work has been made possible due to the strong relationship we have with the Amputees Federation of New Zealand and Limbs 4 Life Australia. We are looking forward to the future for these events after the successes from this year.

In summary, with the patient at the centre of everything we do, it is pleasing to see that we have provided them with an additional 30% in services and technology over the last year. Which I must express my thanks and gratitude to the NZALS team, my fellow board members, our Minister, ACC and the DHB's.

Kia kaha, kia māia

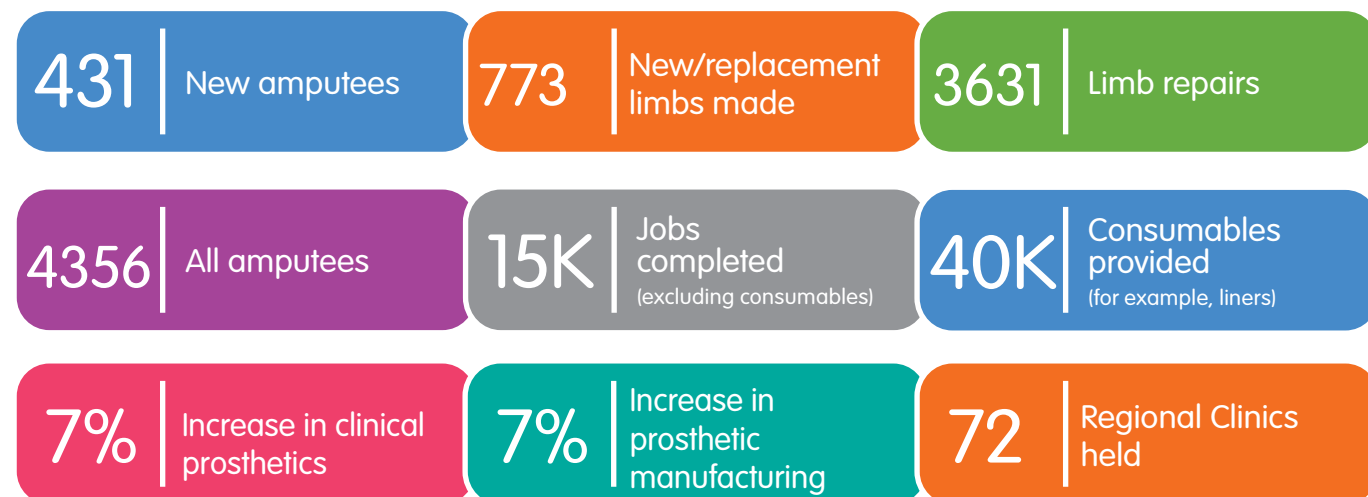


George Reedy
Chair

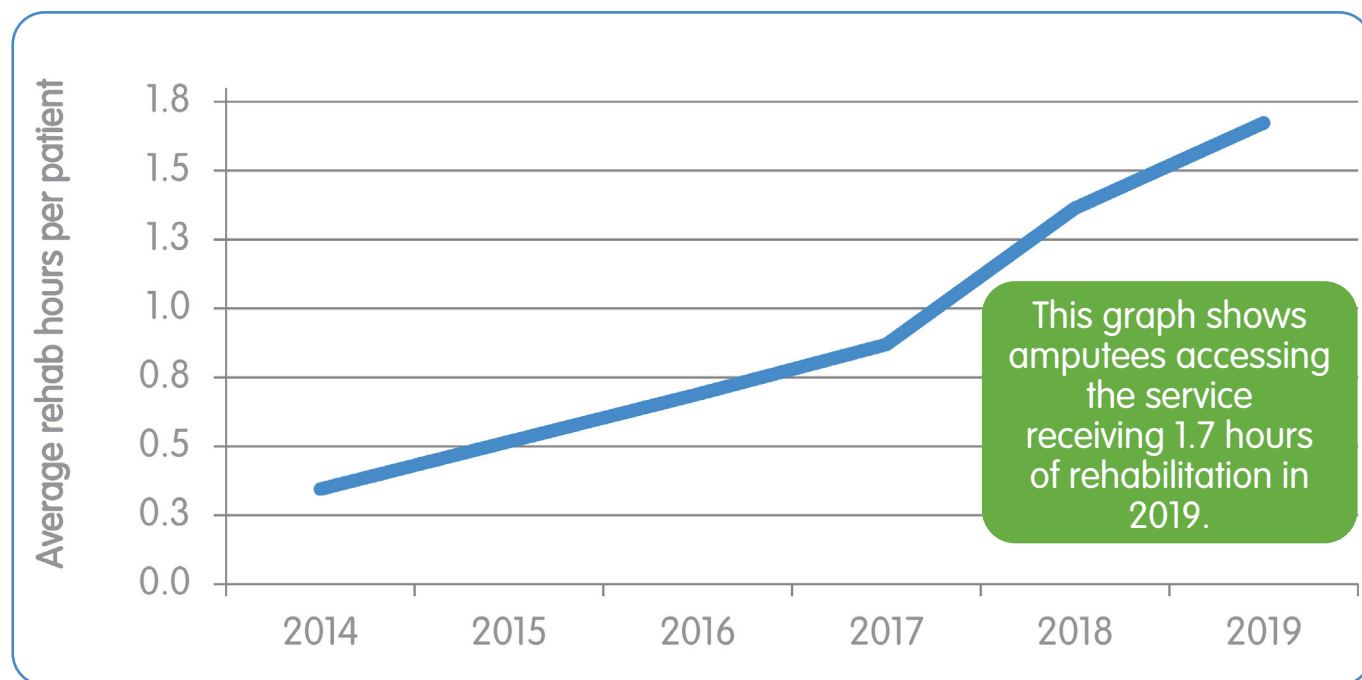
Service

Our amputees are at the centre of everything we do, receiving from NZALS whole-of-life, world-class services that deliver what they need at each stage of their journey.

Service demand

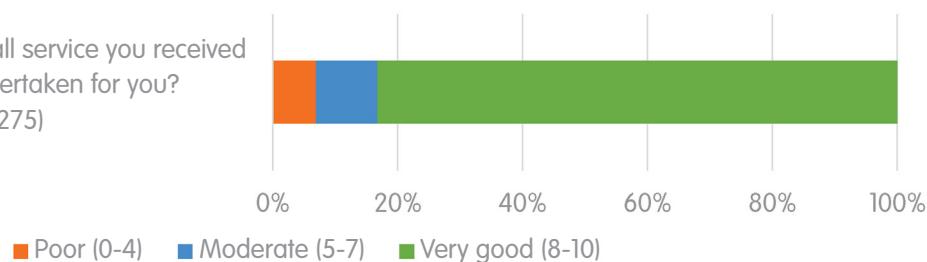


Increasing rehabilitation



High patient satisfaction

How would you rate the overall service you received for the job we have undertaken for you?
(response=275)



The above graph shows this year's patient response to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

ACC Artificial Limb Service

This year ACC went to market for their Artificial Limb Service. This was a competitive process, with the following summary of service requirements:

- specialised assessment
- pre and post amputation support
- therapy intervention
- limb fabrication
- limb fitting
- maintenance of artificial limb
- rehabilitation support
- community support
- peer support services
- psychology services



Key Worker

As a consequence of the new ACC contract, we have formalised our Key Worker approach for ALL amputees to:

- improve the coordination of care
- be a primary point of contact
- help facilitate the amputee journey

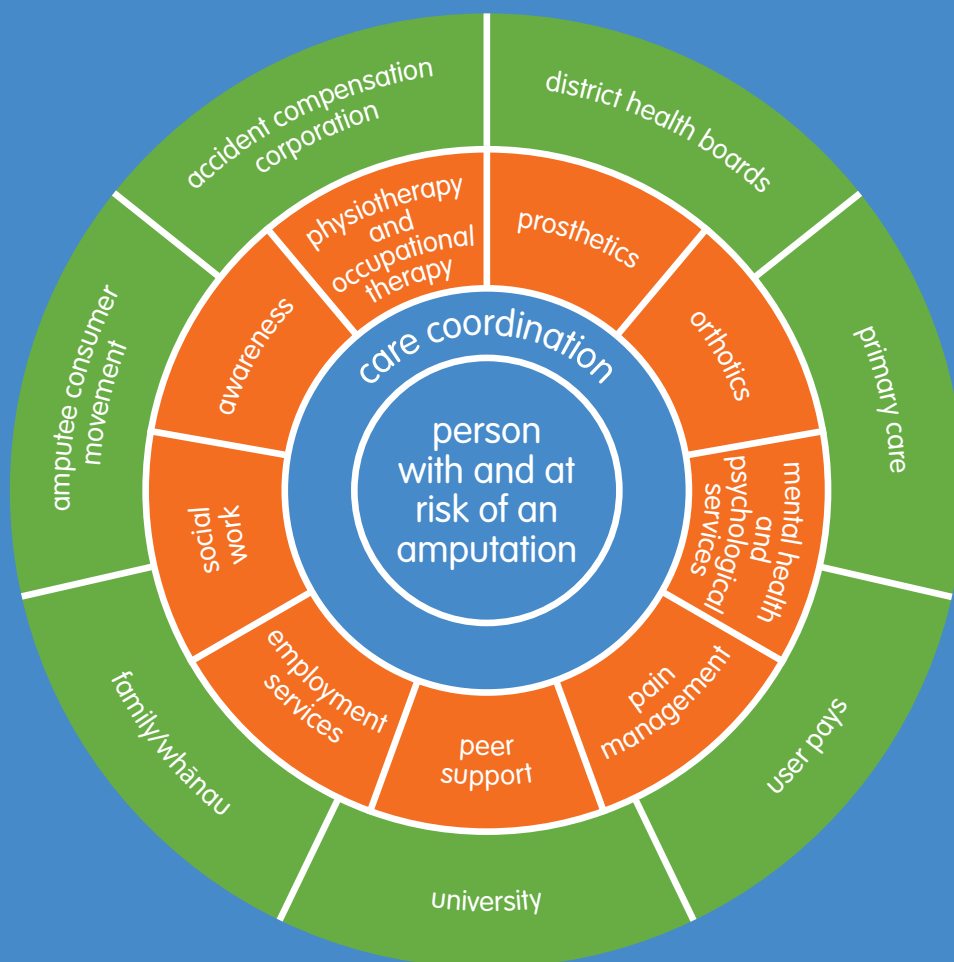
Amputation Prevention

The person at risk of amputation is at the centre of what we do (as seen below). There is a significant personal cost and health system cost when a person with diabetes requires an amputation.

NZALS was awarded the Waikato DHB Orthotic Contract in collaboration with Orthotic House. We now provide orthotic services to patients in the Waikato region with NZALS covering the diabetes and vascular aspect of the service.

We are learning and understanding the significant impact we can have on improving orthotic services, supporting amputee's contralateral limb and preventing amputations in the region. In this financial year we provided 1,335 orthotic amputation prevention interventions.

This supports our evolving efforts to reduce the artificial limb service needed by people with diabetes.



British Society of Rehabilitation Medicine, Amputee and Prosthetic Rehabilitation – Standards and Guidelines states:

Fifty percent of unilateral diabetic amputees will develop a serious contralateral lesion within two years.

Peer Support Service

The Board approved a \$250,000 investment for the establishment of a Peer Support Service in collaboration with Amputees Federation of New Zealand and Limbs 4 Life Australia. This new service is aligned to consensus opinion of peer support programmes for high risk service users, and based on the Limbs 4 Life service which has been running since 2004.

The Peer Support Service will provide informal support to those adapting to limb loss. The support is provided by matching recipients with trained supporters who can relate to others in a similar situation to themselves.

The service was launched in July 2019 for the volunteer training, and officially launched to recipients to receive peer support services on 1 August 2019.

Need support?

A Peer Support Volunteer is there to support you while you're going through some of the same experiences they've been through.

A Peer Support Volunteer supports amputees to:

- Manage fears associated with amputation.
- Cope with feelings of vulnerability & depression.
- Understand feelings of anxiety relating to body image, self-esteem and sexuality.
- Adapt to the adjustment of amputation/s.
- Manage the short-term and long-term expectations of living with amputation/s.
- Re-engage in recreation, community, activities and employment.



Contact info@peersupport.co.nz for a recipient registration form, or visit our website www.peersupport.nz

PS
Peer Support
Te Pou Aropā Takitoru

He waka eke noa

We are all on this journey together, we work together, we aspire and achieve together. Together we encourage and inspire each other, together we can raise each other up.

Want to volunteer?

Being a Peer Support Volunteer is a rewarding experience for everyone involved.

You can help other amputees going through the same experiences you've been through.

To be a Peer Support Volunteer you must be:

- A person who has adapted to limb loss
- Are 3 years post amputation
- Are caring and supportive
- Can communicate confidently and effectively
- Are able to maintain confidentiality



Contact info@peersupport.co.nz for a volunteer registration form, or visit our website www.peersupport.nz

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Peer Support
Te Pou Aropā Takitoru

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Photos from the Upper Extremity Lunch at Wellington Centre March 2019

Expert workforce

NZALS' expert workforce is responsive and able to develop, adapt and adopt innovation and technology to continually improve the service and outcomes for our patients.

Workforce profile

Our success is driven by having a workforce that reflects the wider community and its diversity. We have continued to attract workers with the right skills from more diverse backgrounds. For example, we employed a nurse with 12 years amputee care and coordination experience from the United Kingdom.

47:37

Female:Male staff

69

Employee Full Time
Equivalents

32%

Part-time workers

100%

Qualified as
per contracts

979

Days professional
development

100%

Completed Cultural
Competency
training

Improving our capability

This year we have:

- Continued to invest in our people leaders; three of the leadership team have been participating in their Masters of Business Administration, majority of them have mentors in place and the team uses a structured business planning process.
- Implemented Kaizen continuous improvement to improve our operating efficiency and to reduce delivery times for the people we care for.

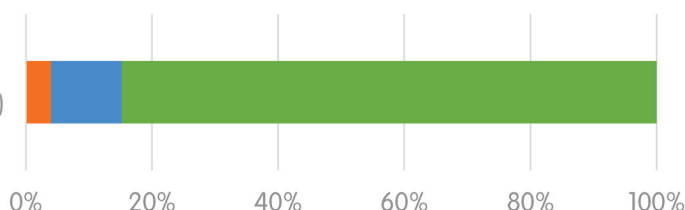


NZALS and dsport team with kids at the February 2019 Kids Get Active Day



Patients have a high trust and confidence in our team

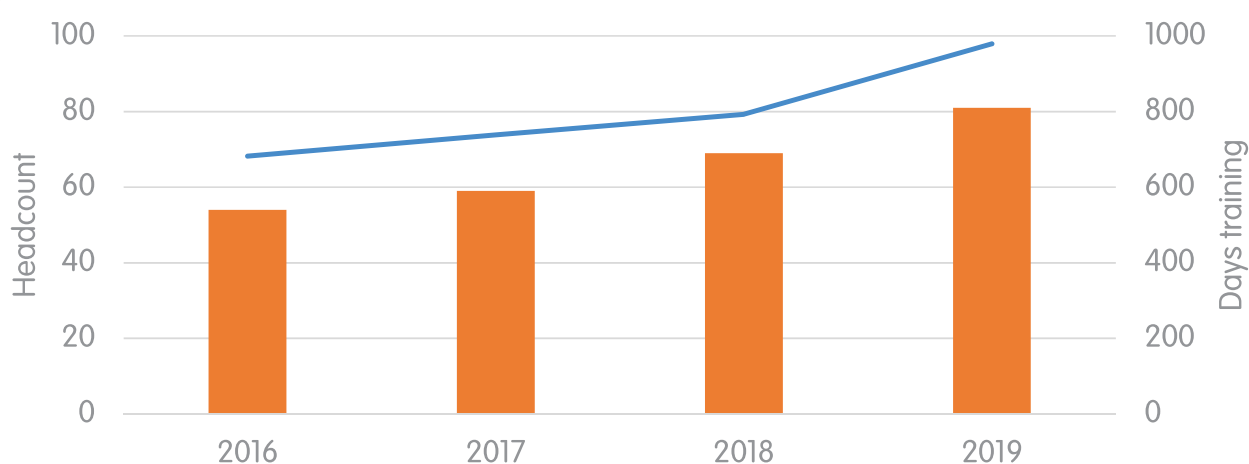
Please rate how trusting and confident did you feel with the staff providing your care? (responses=246)



The above graph shows this year's patient response to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

Continuing to invest in our workforce

Workforce Professional Development



To deliver on our Expert Workforce strategy, we have continued to invest in training and development. The above graph shows in 2019 the team participated in 979 days of training which is a 23% increase on 2016. These efforts are supported by:

- 100% of our people across all levels of the organisation completed targeted learning (e-learning, workshops, on-the-job learning, assessments and exams) to ensure we build our technical and clinical capabilities and have consistent and credible practices.
- Robust and best practice training, supervision, performance development and monitoring systems in place.

New roles @ NZALS

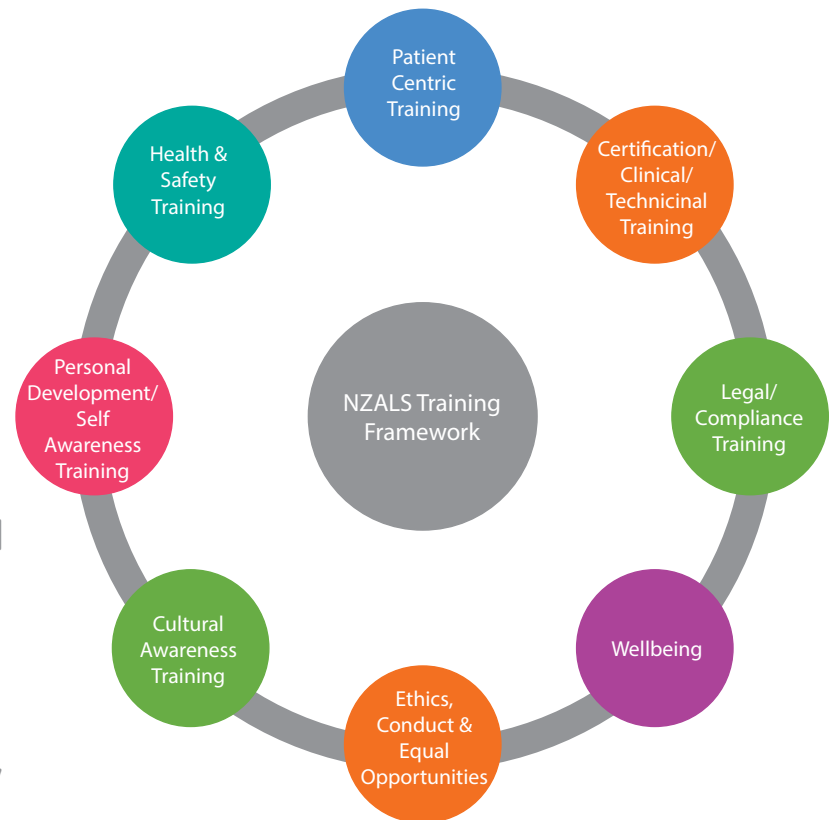
Recruited and filled three new roles including:

- Registered Nurse
- Clinical Orthotist
- Peer Support Co-ordinator

Valuing culture and diversity

This year our people completed the Foundation Course in Cultural Competence. This course provides an understanding of cultural competence and health literacy and how these issues impact on the health and wellbeing of whānau within the New Zealand health system. One of our staff members commented "The course was well worth my time and effort to learn and understand more about Māori culture and health".

Our training framework designed to meet service requirements and world leading patient care.



Workplace Mental Health & Wellbeing

We have set up a focus group to create a workplace mental health and wellbeing programme. Focusing on the health and wellbeing of our staff provides a clear and positive statement underlining the value NZALS places on the welfare of its workers. This is demonstrated by the below diagram.



Technology and R&D

We adapt and customise technology to change the lives of our amputees. We are responsible to our amputees for understanding, accessing and bringing them the best technology solutions and initiatives that NZALS' budgets allow.

Support for gaining employment with Auckland University of Technology for people with health conditions

Over \$300,000 research funding for a literature review of research on support for gaining employment for people with a long-term condition. NZALS is leading a 'stakeholder reference group' that will help inform this review.



3D printed Prosthetics and Orthotics with Victoria University of Wellington

Victoria University School of Design continues to pursue 3D printing and Design research within NZALS. The students have been working on the design of prosthesis feet and limb covers with Sintered Nylon and Metal 3D printing methods, at Callaghan Innovation AddLab learning about 3D printing metal, and at the Wellington Limb Centre creating a range of aesthetic covers that focus on the design advantage of 3D printing.



The use of technology to prevent amputation with Canterbury DHB

Helen Heenan, University of Otago Masters candidate, presented a poster at the Australasian Diabetes Congress in August 2019 describing her preliminary analysis of results from 31 participant interviews. Helen interviewed patients with DFU (diabetic foot ulcers) who had undergone wound/ulcer imaging as part of their specialist podiatry care. Sharing DFU images with the patient seemed to enhance the patient's feeling of being included in the care of their DFU. In addition, the sharing of images often led to discussion about treatment options and adherence to the treatment plan. These patient-clinician discussions therefore seemed to enhance the patient's health literacy.

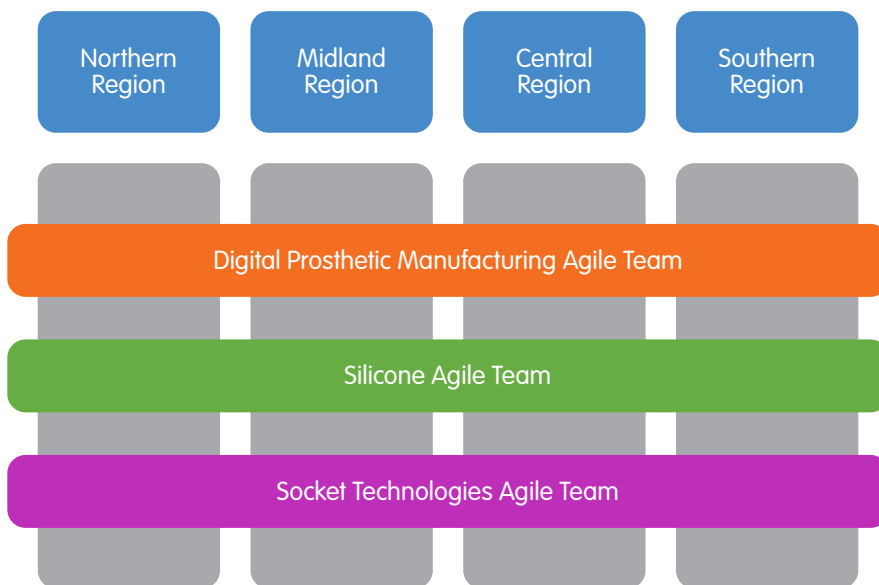
Canterbury

District Health Board

Te Poari Hauora ō Waitaha



Realising innovation

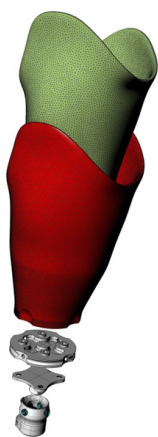


The diagram to the left shows our newly established agile teams. These teams are charged with championing the adoption of clinical and technical innovation to improve patient outcomes. They are made up of members from each region with a mix of frontline professional staff.

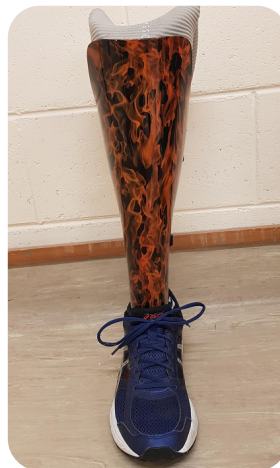


Digital Manufacturing

This agile team has made significant progress with:



20 below knee sockets fabricated using 3D printing. Above are examples of a digital socket design.



Progress on our work in hydrodipped prosthetic covers completed and to be made available in 2020. Example above.

Silicone

This agile team successfully gained funding to conduct a Silicone Studio feasibility study, in collaboration with the Waikato University.

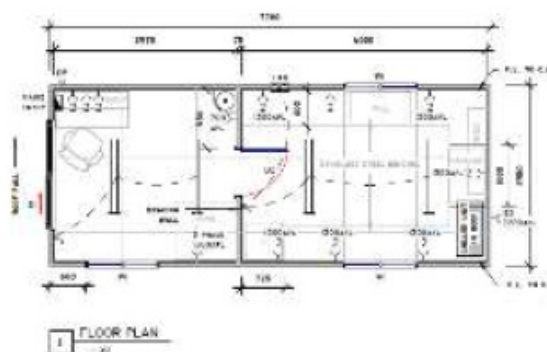
This work lead to a \$100,000 investment for the establishment of a Silicone Studio to be located at our Hamilton Centre.

Socket Technology

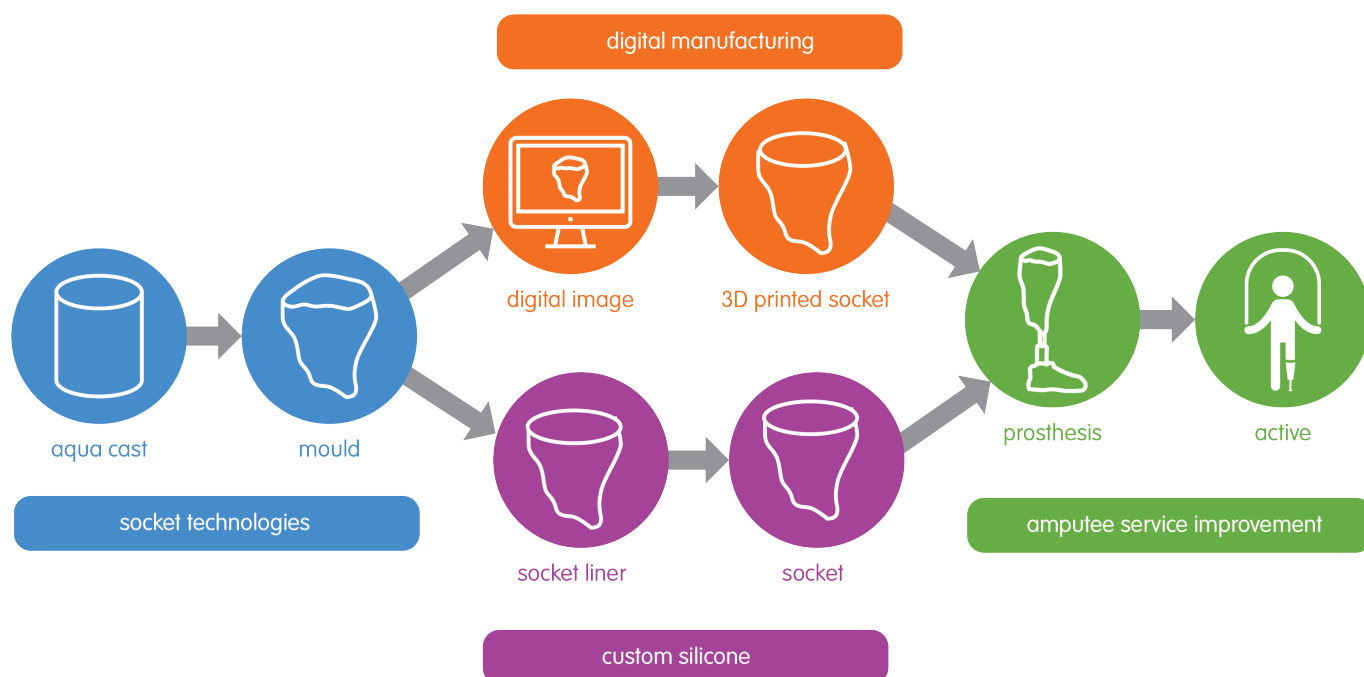
Aquacasting

Aquacasting is a method of casting that uses water pressure to create the plaster stump mould.

We have purchased below knee aquacasting devices for Hamilton and Christchurch. We hope the aquacasting method will improve the fit of sockets for amputees that meet the criteria.



Agile team collaboration



The above diagram is an example of the collaboration between the agile teams leading to improved amputee outcomes.

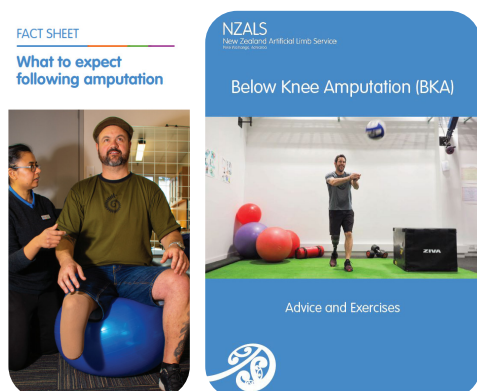
Equity

NZALS supports equitable amputee access to technology and services based on need.

Empowering patients with information

We have collaborated with the Amputees Federation NZ Inc. and Limbs 4 Life Australia to develop patient resources such as fact sheets, exercise booklets and a handbook. We started a facebook support group for parents and caregivers *NZ Kids with limb loss*, and held four Kids Get Active days around NZ in collaboration with dSport.

Patient Resources



Facebook Support Group



Kids Get Active 2019



These initiatives ensure we are empowering patients with information and providing opportunities for them to interact with their peers for support and advice.



Property

This year has seen the organisation develop plans for the improvement of all our service centres. This work will commence next financial year and will include a refurbishment of the Auckland Centre user service area, a complete upgrade for the Hamilton Centre, a refurbishment of the Wellington Centre, and plans for a newly built Christchurch Centre, and a refurbishment for Dunedin Centre. Additionally, extraction systems for all centres will be reviewed and upgraded as required.

Orthotic and Prosthetic Service Audit




This year we engaged CentralTAS to audit us against:

- World Health Organisation (WHO) standards for prosthetics and orthotics
- ISO 13485:2016 (E) Medical Device – quality management systems – requirements for regulatory purposes
- NZALS statement of intent 2017-2021.

The below diagram is from the audit report and summarises our performance with either good or satisfactory assessments for the areas audited.

Audit Focus	Policy	Product	Personnel	Quality Management	Provision of Services
Overall Rating					

Key:

		
Good: controls are consistent with expectations	Satisfactory: no significant deficiencies	Significant deficiencies/scope for efficiencies

Compliance

We continue to seek feedback on our service and encourage patients to discuss service issues and complaints with the team. This feedback is the critical information we need to improve our services. Following are key statistics on our compliance function.

Complaints

13 (14 last year)

Privacy Act
Requests

51 (55 last year)

OIA
Requests

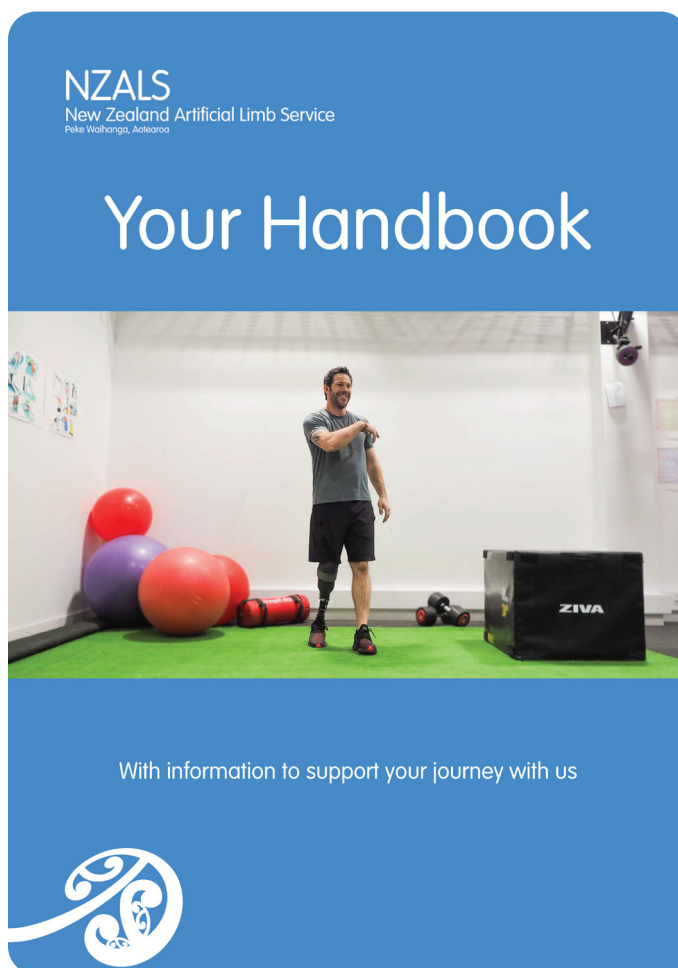
29 (18 last year)

Updated
or new policies

36 (30 last year)

Patient Handbook

We established our new resource the patient handbook this year. The twelve page booklet is designed to be completed with the patient and their Key Worker which they can then take home with them, and bring along to follow up visits. The A5 booklet includes key information on what pre and post amputation support is available and the manufacturing, fitting and rehabilitation process. Patients can note down questions for their healthcare team at the next appointment, record their numerical pain rating scale, set activity goals and reflect on what they require in preparation for completing their rehabilitation. We are excited to be able to provide this resource to our patients whilst on their journey to living independent and productive lives.



Your Healthcare Team

Medical Specialist:

Prosthetist:

Physiotherapist:

Occupational Therapist:

To see more about the roles and responsibilities of your team, visit www.nzals.co.nz/services

Your Centre - Hamilton

7 Horopito Street, Mt Eden

Auckland 1024

Email auckland@nzals.co.nz

Freephone 0508 630 630

Regional Clinic Locations

Whangarei
Kaiaia

Kawakawa
New Plymouth

Questions for my Healthcare Team

Questions	Answers/Notes
1.	
2.	
3.	
4.	

4

My Activity Goals

Creating activity goals will help your healthcare team establish the right exercises for you to aid your rehabilitation plan. Complete this section with the help of your healthcare team.

Your Activity Goals	Baseline	Follow up assessment	Annual Review
1.			
2.			
3.			
4.			

My Numerical Pain Rating Scale

Complete this section with the help of your healthcare team. Your healthcare team member will ask you to rate your pain on average over the last 24 hours on a scale of 0-10, with '0' being 'no pain' and '10' being the 'worst possible pain'.

	Baseline	Follow up assessment	Annual Review
My average pain over the last 24 hours prior to assessment with my healthcare team			
Comments:			

5

Examples of pages in the patient resource "Your Handbook".

NZALS as a good employer

NZALS promotes staff participation in the development of 'good employer' programmes and practices through regular employee collaboration meetings, recruitment panels and health and safety policies.

We engage with our employees and the New Zealand Public Service Association which represents approximately 30% of our workforce to comply with the 'good employer' and equal employment opportunities provisions.

Leadership, accountability and culture

- NZALS' values of challenging, fair, impartial, responsive, trustworthy and quality, guide our leadership team in making decisions that positively impact our patients and staff and create a strong and positive internal culture.
- Providing our people with ongoing context, direction and leadership on the performance of NZALS within a rapidly changing industry landscape.
- We provide coaching for our managers on key leadership capabilities including authentic leadership, influencing others, change agility & resilience, inspiring & motivating others and having brave conversations.

Recruitment selection and induction

- Attracting and retaining the best employees is critically important to our expert workforce strategy and we have implemented a comprehensive organisation-wide induction programme for new employees, with e-learning, workshops and on-the-job tools and resources.
- Educating our business leaders on unconscious bias and the importance of inclusion and diversity in selection and promotion.
- NZALS is an 'accredited employer' with Immigration NZ. As an organisation we meet strict criteria in respect of our robust Human Resources practices and our commitment to training and employing New Zealanders (where appropriate).

Employee development and promotion

- We harness the talent of our people and ensure they understand how they contribute to our wider success.
- Succession planning, internal growth strategies, training and development and continued professional development are all key themes in our expert workforce strategy.
- Through our world class training & development programmes, we encourage the development of professional skills and provide specialist training in prosthetics, orthotics, rehabilitation and technology.
- All prosthetists and orthotists currently employed by NZALS hold a tertiary qualification in orthotics or prosthetics. This includes qualifications gained through universities, polytechnics and institutes of technology.

Flexibility and work design

- NZALS actively supports many non-standard work arrangements where business demands enable these to occur, including part-time, flexible working hours, working from home and other forms of remote working.
- We tailor our support in these situations to individual need, and actively support return-to-work programmes for ill and injured employees.

Remuneration, recognition and conditions

- Our remuneration processes have been developed by robust job sizing evaluations, ensuring that remuneration reflects the complexity of each role and the level of skill required.
- We have embarked on a review of our performance development, remuneration, and recognition systems to ensure that they meet the needs of both the organisation and our employees.

Harassment and bullying prevention

- We have a Managing Bullying, Harassment and Discrimination in the Workplace policy which details no tolerance for any form of discrimination or harassment within our organisation.

Safe and healthy environment

- We have implemented a comprehensive internal health and safety strategy and have implemented new approaches to hazard and risk identification and management, and accident and incident reporting and investigation.
- Strategies for effectively managing our biggest risks are well embedded. We provide an Employee Assistance Programme, discounted health insurance, health monitoring checks, and vaccinations.

Employee Wellbeing

- We are working towards implementing a workforce mental health and wellbeing programme in 2019 to demonstrate the value NZALS places on the health and wellbeing of its workforce.

We are committed to being a good employer and have adopted the guidelines of the Human Rights Commission in monitoring seven aspects of our engagement with our employees.

Health and Safety

Health and safety statistics

The health and safety for our patients and workforce is a very important aspect of our business. Following are key statistics on our health and safety function.

Serious incidents

0 (0 last year)

Accidents and incidents

33 (19 last year)

H&S centre inspections

63 (46 last year)

H&S committee meetings

4 (4 last year)

SafePlus Review

In September 2018, NZALS engaged Helen Parkes, an independent Health and Safety professional, to review our Health and Safety Programme. Helen aligned the Health and Safety review framework to the SafePlus tool. SafePlus has 10 performance areas across leadership, worker engagement and risk management and each is assessed against a 3-point maturity scale, leading to an overall assessment rating. Five of the ten performance areas were assessed as performing and the remainder as developing on the 3-point maturity scale. The overall rating was assessed as developing and indicates that NZALS meets current Health and Safety legislation. The final assessment report provided recommendations to improve the current assessment with the goal to reach Performing on the maturity scale. Actions we have taken:

1. Continue to demonstrate strong leadership. Board members have completed the Institute of Directors Health and Safety Governance course.
2. Set a clear direction for Health and Safety. A Health and Safety Charter was developed in consultation with the Health and Safety committee which clearly outlines the direction and responsibilities.
3. Seek the advice of an occupational hygienist. An occupational hygienist was engaged at the Wellington centre to highlight any areas of concern and recommend initial and long-term safety precautions. The testing focussed on noise, hazardous substances, ultrafine particulates and temperature and humidity. Recommendations were provided and immediate safety precautions implemented. Long-term safety precautions have been scheduled.

NZALS is committed to providing a healthy and safe place of work for all our patients and whānau, employees, temporary workers, and contractors.

Health and Safety Charter

We believe health and safety is everybody's responsibility.

We hold safety, health, respect for the workplace and open and continuous dialogue with stakeholders as a top priority.

We comply fully with applicable laws, legislation, regulations and our standards and policies.

We regard prevention and continuous reduction of all risks for our patients and whanau, employees, temporary workers, and contractors as a top priority.

Health and Safety Responsibilities

Patients and their whanau - Speak up, your voice can make a difference. You play an important part in everyone's health and safety.

CEO - Provide leadership in health and safety and actively promote a health and safety culture within the business. Monitor health and safety risks across the business and ensure that these are being effectively managed. Ensure that adequate resources exist to deliver the health and safety management plan. Set and monitor health and safety related key performance indicators for Managers in the business. Maintain current knowledge of health and safety and industry requirements.

Regional Managers and Team Leaders - Demonstrate leadership in health and safety and promote health and safety across the business. Ensure that hazards and risks within the business are identified and managed. Ensure accurate reporting and recording of workplace incidents. Investigate any reported incidents to identify areas for improvement. Ensure that personnel receive training in the tasks they are required to undertake. Take part in health and safety meetings. Ensure that employee safety representatives have the time and resources to enable them to carry out their role. Support safe and early return to work for employees who are unable to perform their normal duties due to injury or illness. Ensure emergency, contractor management and visitor policies and procedures are followed in the business.

H&S Representatives and Committees - Engage, encourage and support employee participation in health and safety. Take part in safety committee meetings representing their Centre. Take part in workplace inspections and accident investigations as required. Assist with communication regarding health and safety across the workplace. Assist NZALS by reviewing and improving health and safety policies and procedures. Assist in finding practical solutions to any health and safety issues that arise in NZALS.

Staff, Contractors and Volunteers - Follow safe work practices to ensure their own safety and safety of others. Report any incidents or hazards that the employee is aware of. Take part in health and safety training. Comply with all safety requirements set by the NZALS Board or Management.

Board - Provide direction and oversight of health and safety management within the NZALS. Monitor health and safety performance. Ensure appropriate resources are available to provide a safe workplace. Maintain current knowledge of health and safety and industry requirements.

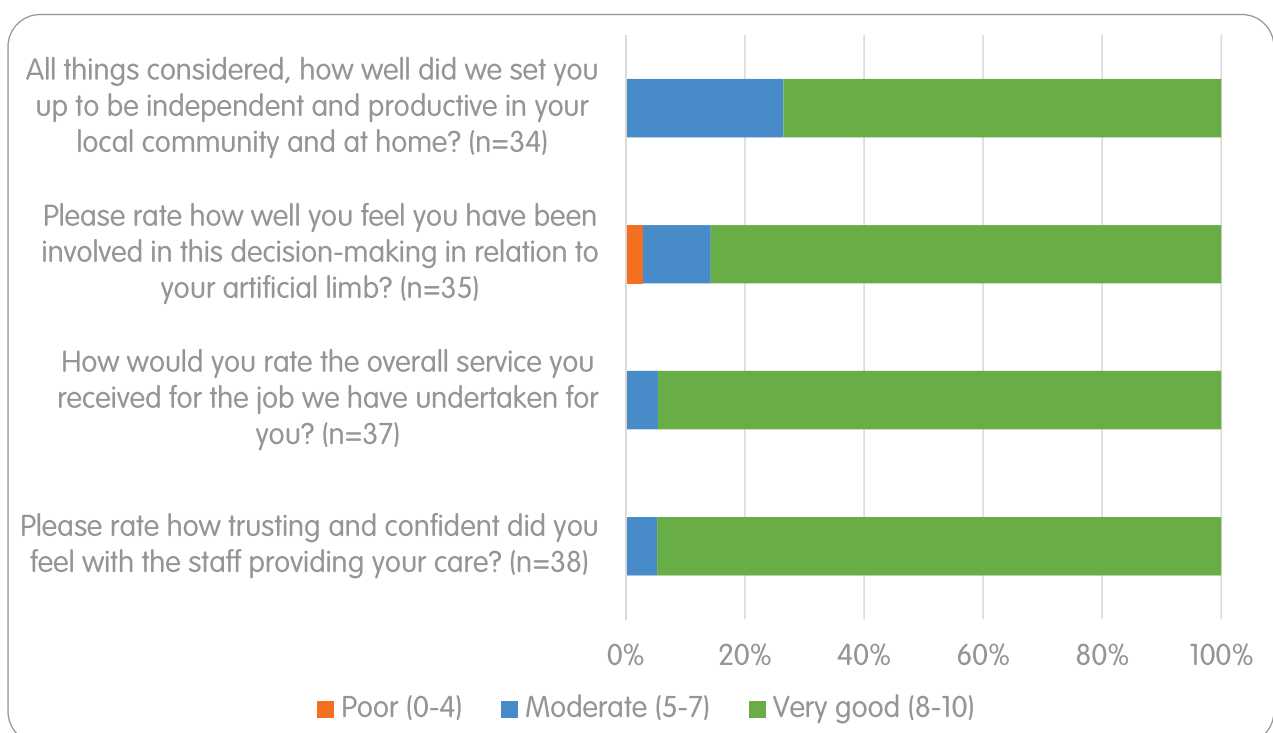


Responsibility to Te Tiriti o Waitangi

Strategy, policy and service design

NZALS have implemented the following strategy, policy and service designs to ensure the inclusion and consideration of Māori.

- Representatives from the Ministry of Social Development (monitoring agency) who incorporated current government thinking around service development of Māori and our responsibilities under the Treaty.
- We translated the Vision, Mission and Strategy into Māori and incorporated them into our Statement of Intent document to reflect the importance of our commitment to Māori amputees.
- We further clarified, consulted and published our Māori strategy on the NZALS website.
- Our Clinical Governance Policy, Medical Device Prescription Policy and Rehabilitation Policy acknowledge our responsibilities to the Treaty.
- Our national ACC Prosthetic Service Contract and DHB Prosthetic Contract have specific clauses relating to our services for Māori (and their whānau) people living with limb loss.
- Large clinical consultation rooms to support whānau to attend and participate in Māori amputee assessments and reviews.
- Evolving our clinical team to provide more involved in care decisions of self-determination; Tino Rangatiratanga.
- We have an Equity Strategic Objective; Oritetanga: ensuring decisions and planning actions incorporate consideration into the service needs of Māori living with limb loss. For example, the development and maintenance of Regional Clinic outreach services to 14 locations including Kaitiaki, Whangarei and Gisborne.



The above graph shows this year's Māori patient response to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

Board Members

Board members are appointed by the Minister for Social Development under the Crown Entities Act 2004. Membership is determined by the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990, which provides the nominating bodies and has a significant influence on the composition of the Board. Board members during the year were:

George Reedy – Chair

George is from Ngāti Porou, has a background in business and Māori economic development, non-government organisations and the public sector. A chartered accountant (with an MBA) by profession, his main roles are concentrated on strategy and business development especially in online digital environments.

Faye Sumner CNZM – Board Member

Faye is the Chief Executive Officer of the Medical Technology Association of New Zealand (MTANZ). Faye has been at the forefront of negotiations with NZ Government and Ministry of Health in the proposed development and reforms within NZ medical device regulations and procurement. Faye is a Board member of the NZ Standards Approval Board and the Medtech CoRE Governing Board. Faye is also Deputy Chair of the NZ Heart Foundation and Trustee of the University of Auckland School of Medicine Foundation. Faye was made a Companion of the NZ Order of Merit (CNZM) for her services to the medical technology sector.

Professor Alan Thurston – Board Member

Professor Thurston is the Associate Professor of Orthopaedic Surgery and Consultant Hand Surgeon at the Wellington School of Medicine & Health Sciences and Wellington Hospital. Alan has been holding clinics at the Wellington Artificial Limb Centre for over 30 years.

Kevin Ross – Board Member

Kevin served as the Chief Executive of the Whanganui District Council for seven years before retiring in 2015. In his various roles within the Council he has had considerable experience dealing with most sectors of the community and focussed on developing genuine and committed partnerships with local Iwi. Kevin currently chairs the Tararua District Council Audit and Risk Committee.

Cynthia Bennett – Board Member

Cynthia is a specialist trained Medical Doctor in Physical Medicine and Rehabilitation. She practices Rehabilitation Medicine as a Fellow of the Australasian Faculty of Rehabilitation Medicine in NZ. Cynthia is the Clinical Head of Rehabilitation and the Auckland Spinal Rehabilitation Unit for Counties Manukau Health. In addition Cynthia holds the position of the NZ Branch Chair of the Australasian Faculty of Rehabilitation Medicine and is a member of the AFRM PAC.

Kate Horan – Board Member

Kate is a dual Paralympian in athletics and cycling, winning Silver in the 200m at the 2008 Beijing Paralympic Games and has her sights on para cycling at the 2020 Paralympic Games which would be her fourth Paralympic Games. In her role with dsport, Kate has developed and implemented activity initiatives that have empowered many people leading to improved self-esteem and general wellbeing. Notably, at dsport, Kate and the team have developed an amazing youth activity programme that supports 100 families which will have life-long social and health benefits for those involved.

Statement of performance expectations 2018/2019

The responsible Minister and NZALS have agreed to include the following set of voluntary measures which are aligned to the Strategic Objectives from NZALS' Statement of Intent.

Performance measures and standards	2018/19 Targets	Results
Minimum number of business days that services are available to amputees through all five NZALS limb centres	230	244
Minimum number of regional clinics held	14	72
Minimum number of days that information is available to amputees through the NZALS website	365	365
Percentage of new amputees prescribed a prostheses with improved independence and mobility assessed using 'Amputee Mobility Predictor' within 18 months of fitting of a new artificial limb	80-100%	86% ¹
Surveyed amputees who positively rate the services provided ³	Positive Net Promoter Score	71% ²
Percentage of NZALS clinical and technical employees with recognised certification and/or qualifications	100%	100% ³
Number of collaborative research projects undertaken on issues designed to improve the provision of services to amputees	2	4 ⁴

1. Amputee Mobility Predictor - 30 out of 35 amputees with a baseline and follow up measure
2. The Net Promoter Score (NPS) measures the loyalty and satisfaction that exists between a provider and a consumer. This NPS was calculated from 317 amputee responses.
3. As defined in NZALS contract with ACC.
4. See Technology and R&D section of this Annual Report on pages 11-13 for details on research collaboration projects.

Financial statements

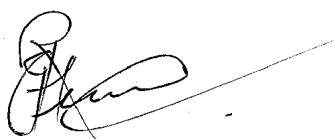
Statement of responsibility For the year ended 30 June 2019

The Board is responsible for the preparation of the NZALS' financial statements and the performance information and for the judgements made in them.

We are responsible for any end-of-year performance information provided by NZALS under section 19A of the Public Finance Act 1989.

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 reporting.

In the opinion of the Board, these financial statements and performance information for the year ended 30 June 2019 fairly reflect the financial position and operations of the NZALS.



George Reedy
Chair



Faye Sumner
Board member

31 October 2019

31 October 2019

Independent Auditor's Report

To the readers of New Zealand Artificial Limb Service's financial statements for the year ended 30 June 2019

The Auditor-General is the auditor of New Zealand Artificial Limb Service (NZALS). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of NZALS, on his behalf.

Opinion

We have audited:

- The financial statements of NZALS on pages 30 to 47 that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements of NZALS on pages 30 to 47:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements

The Board is responsible on behalf of NZALS for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible on behalf of NZALS for assessing NZALS's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of NZALS, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to NZALS's statement of performance expectations 2018/19.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NZALS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause NZALS to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 3 to 23, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of NZALS in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in NZALS.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial results

The Statement of Comprehensive Revenue and Expense shows gross revenue (excluding interest) of \$18,716,000 which is an increase of 30% on the previous year of \$14,430,000. Revenue is derived principally from contracts with ACC for trauma-based amputees, Capital & Coast District Health Board, which manages the national contract for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations and Waikato District Health Board for provision of Orthotic Services. In addition, revenue is received from payments on behalf of war amputees, private insurers, health benefits and private supply.

Operational costs for the year totalled \$17,761,000 (2018: \$14,001,000) resulting in a surplus of \$996,000. This follows a surplus last year of \$467,000.

NZALS' financial position remains strong with \$5,605,000 in reserves.

Statement of comprehensive revenue and expense

For the year ended 30 June 2019

	Note	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Revenue				
Government contract funding	2	18,291	14,400	14,262
Interest revenue		41	36	38
Other revenue		425	180	168
Total revenue		18,757	14,616	14,468
Expenditure				
Personnel costs	3	5,577	5,213	4,709
Depreciation and amortisation expense	9	231	190	206
Other expenses	4	11,953	9,194	9,086
Total expenditure		17,761	14,597	14,001
Total comprehensive revenue & expense		996	19	476

Explanations of significant variances against budget are detailed in note 20 (on page 47).

The accompanying notes form part of these financial statements (on pages 34-47).

Statement of financial position

As at 30 June 2019

	Note	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Assets				
Current assets				
Cash and cash equivalents	5	1,737	637	938
Receivables	6	1,800	1,264	1,571
Prepayments		48	35	72
Inventories	7	2,038	1,485	1,293
Investments	8	1,146	1,098	1,108
Total current assets		6,769	4,519	4,982
Non-current assets				
Property, plant and equipment	9	1,204	1,160	1,158
Intangible assets		2	0	3
Total non-current assets		1,206	1,160	1,161
Total assets		7,975	5,679	6,143

The accompanying notes form part of these financial statements (on pages 34-47).

	Note	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Current liabilities				
Payables and deferred revenue	10	1,733	865	959
Employee entitlements	11	539	520	486
Total current liabilities		2,272	1,335	1,445
Non-current liabilities				
Employee entitlements	11	98	114	89
Total non-current liabilities		98	114	89
Total liabilities		2,370	1,499	1,534
Net assets		5,605	4,180	4,609
Equity				
General funds		5,605	3,580	4,609
Board-created reserves		0	600	0
Total equity		5,605	4,180	4,609

Explanations of significant variances against budget are detailed in note 20 (on page 47).
The accompanying notes form part of these financial statements (on pages 34-47).

Statement of changes in equity

For the year ended 30 June 2019

	Note	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Balance at 1 July		4,609	4,161	4,142
Total comprehensive revenue & expense		996	19	467
Balance at 30 June	12	5,605	4,180	4,609

Explanations of significant variances against budget are detailed in note 20 (on page 47).

The accompanying notes form part of these financial statements (on pages 34-47).

Statement of cash flows

For the year ended 30 June 2019

	Note	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Cash flows from operating activities				
Receipts from government contract funding		18,174	14,366	13,596
Interest received		39	36	47
Receipts from other revenue		365	180	168
Payments to suppliers		(11,836)	(9,074)	(8,900)
Payments to employees		(5,515)	(5,163)	(4,704)
Goods and services tax (net)		(115)	0	108
Net cash from operating activities		1,112	315	315
Cash flows from investing activities				
Sale of investments		(38)	0	(45)
Purchase of property, plant & equipment		(275)	(150)	(168)
Net cash from investing activities		(313)	(150)	(213)
Net increase/(decrease) in cash and cash equivalents		799	165	102
Cash and cash equivalents at the beginning of the year		938	472	836
Cash and cash equivalents at the end of the year	5	1,737	637	938

Explanations of significant variances against budget are detailed in note 20 (on page 47).
The accompanying notes form part of these financial statements (on pages 34-47).

Notes to the financial statements

1. Statement of accounting policies for the year ended 30 June 2019

Reporting entity

New Zealand Artificial Limb Service is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. The relevant legislation governing NZALS's operations includes the Crown Entities Act 2004 and the Crown Service Enterprise Act 2002. NZALS's ultimate parent is the New Zealand Crown.

NZALS' primary objective is to provide services to the New Zealand public. NZALS does not operate to make a financial return.

The financial statements for NZALS are for the year ended 30 June 2019, and were approved by the Board on 31 October 2019.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of Compliance

These financial statements comply with the PBE Standards Reduced Disclosure Regime.

NZALS has designated itself as a public benefit entity (PBE) for financial reporting purposes.

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

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values rounded to the nearest thousand dollars (\$000), except for Board member remuneration and related party transactions in Note 15, which are rounded to the nearest dollar.

Statement of accounting policies

Standards issued and not yet effective and not early adopted

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

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 *Statement of Cash Flows* require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for

annual periods beginning on or after 1 January 2021, with early application permitted. NZALS does not intend to early adopt the amendment.

PBE IFRS 9: *Financial Instruments* was issued in January 2017 replacing the existing standard PBE IPSAS 29 and NZ IAS 39, *Financial Instruments: Recognition and Measurement*. The standard is effective for periods beginning on or after 1 January 2021. NZALS does not intend to early adopt the amendment.

PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019. NZALS will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of the change.

PBE IPSAS 41 Financial Instruments

The XRB issued *PBE IPSAS 41 Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although NZALS has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. NZALS has not yet determined how application of *PBE FRS 48* will affect its statement of performance.

Significant accounting policies

Revenue

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

Revenue from Government Contract Funding

NZALS principally derives its revenue from the Crown through contracts with Capital Coast District Health Board and Accident Compensation Corporation for services to third parties.

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

Interest

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Other revenue

Other revenue, derived through the provision of services to third parties, is recognised as revenue when earned and is reported in the financial period to which it relates.

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 revenue and expense.

Cash and cash equivalents

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

Receivables

Receivables are recorded at the amount due less any provision for uncollectibility.

A receivable is considered uncollectible when there is evidence the amount due will not be fully collected. The amount that is uncollectible is the difference between the amount due and the present value of the amount expected to be collected.

Investments

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance.

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

The carrying amounts of investments with maturities less than 12 months approximates their fair value.

If an investments carrying amount exceeds its recoverable amount, the investment is impaired and the carrying amount is written down to the recoverable amount.

Inventories

Inventories are held for the provision of goods and services and measured at the lower of cost (calculated using the weighted average cost method) and net realisable value.

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 of the materials plus

cost of labour.

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.

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 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 revenue and expense.

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 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 revenue and expense 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. Maintenance of NZALS website is recognised as an expense when incurred.

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

Leasehold improvements	4.75 to 50 years	(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 associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of NZALS website is 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 revenue and expense.

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 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.

Payables

Payables are recorded at the amount payable.

Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months of balance date are measured 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.

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 and a reliable estimate of the obligation can be made.

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

The discount rates are as specified by Treasury for accounting valuation purposes as at 30 June 2019 of 1 year 1.26%, 2 year 1.03%, 3 year plus 3.55% (2018: 1 year 1.78%, 2 year 1.9%, 3 year plus 3.55%). The calculation assumes a salary growth rate of 2.7%.

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 is 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 New Zealand Artificial Limb Service Superannuation Scheme with New Zealand Retirement Trust, are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

NZALS makes employer 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 deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

Equity

Equity is measured as the difference between total assets and total liabilities. Previously equity was allocated between general and board-created reserves. For the 2018 financial year all board-created reserves were consolidated with general funds.

Goods and Services 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

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 Performance Expectation 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 Board for the preparation of the financial statements and have not been audited.

Critical accounting estimates and assumptions

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

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

At each balance date, the useful lives and residual values of property, plant and equipment, and intangibles 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 NZALS, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense and amortisation recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. NZALS minimises the risk of this estimation by physical inspection of assets and review of second-hand market prices for similar assets.

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

Property leases

Note 13 provides detail in relation to treatment of NZALS property leases. NZALS has operating leases for its Dunedin centre and finance leases for Auckland, Hamilton, Wellington and Christchurch centres' accommodation. No rent is payable for Dunedin centre and the others are paid at nominal rents. NZALS has elected to account for property lease transactions as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

Long service leave

Note 11 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

2. Revenue

NZALS receives funding from a contract with Capital & Coast District Health Board, which manages the national contract for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations. This is a bulk funding contract, the funding of which is restricted in its use to the purpose of meeting contract service specifications.

NZALS also receives revenue from a contract with ACC for trauma-based amputees for supply of specific goods and services supplied to amputees of ACC.

During the year NZALS was awarded the contract to supply Waikato District Health Board patients with orthotic services and product.

3. Personnel costs

	Actual 2019 \$000	Actual 2018 \$000
Salaries and wages	5,364	4,562
Employer contributions to superannuation schemes	151	142
Increase/(decrease) in employee entitlements (note 11)	61	5
Total personnel costs	5,577	4,709

Employer contributions to defined contribution plans include contributions to KiwiSaver, NZ Retirement Trust Superannuation Fund and the DBP Contributions Scheme.

4. Other expenses

	Actual 2019 \$000	Actual 2018 \$000
Fees to auditor – Audit fees for financial statement audit	39	35
Board members' fees	72	62
Board members' expenses	23	10
Cleaning & laundry	139	130
Computer expense	283	187
Legal expense	134	291
Material costs	9,301	7,135
Operating lease expense	107	37
Other	1,855	1,199
Total other expenses	11,953	9,086

5. Cash and cash equivalents

	Actual 2019 \$000	Actual 2018 \$000
Cash on hand and at bank	1,737	938

6. Receivables

	Actual 2019 \$000	Actual 2018 \$000
Trade debtors	1,740	1,491
Other receivables	44	65
Interest accrual	16	15
Total debtors and other receivables	1,800	1,571

The carrying value of receivables approximates their fair value.

7. Inventories

	Actual 2019 \$000	Actual 2018 \$000
Materials	1,086	680
Work in progress	952	613
Total inventories	2,038	1,293

NZALS does not currently hold any inventory for distribution (2018: nil).

NZALS has a provision for obsolete stock of \$102,120 (2018: \$125,403).

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

8. Investments

	Actual 2019 \$000	Actual 2018 \$000
Current investments are represented by term deposit	1,146	1,108

The weighted average effective interest rate for term deposits is 3.44% (2018: 3.36%).

There were no impairment provisions for investments.

The carrying amount of term deposits with maturities of less than 12 months approximates their fair value.

9. Property, plant and equipment

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

	Leasehold improvements \$000	Plant and equipment \$000	Furniture and fittings \$000	Computer equipment \$000	Total \$000
Cost or valuation					
Balance at 1 July 2017	986	1,009	340	284	2,619
Additions	-	59	11	98	168
Disposals	-	-	(2)	(2)	(4)
Balance at 30 June 2018	986	1,068	349	380	2,783
Balance at 1 July 2018	986	1,068	349	380	2,783
Additions	17	73	66	119	275
Disposals	-	-	(55)	(51)	(106)
Balance at 30 June 2019	997	1,141	366	448	2,952
Accumulated depreciation and impairment losses					
Balance at 1 July 2017	470	497	250	209	1,426
Depreciation expense	40	76	32	55	203
Eliminate on disposal	-	-	(2)	(2)	(4)
Balance at 30 June 2018	510	573	280	262	1,625
Balance at 1 July 2018	510	573	280	262	1,625
Depreciation expense	38	80	33	78	229
Eliminate on disposal	-	-	(55)	(51)	(106)
Balance at 30 June 2019	548	653	258	289	1,748
Carrying amounts					
At 1 July 2017	516	512	90	75	1,193
At 30 June and 1 July 2018	476	495	69	118	1,158
At 30 June 2019	449	488	108	159	1,204

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

10. Payables and Revenue in advance

	Actual 2019 \$000	Actual 2018 \$000
Creditors	1,253	336
Revenue in advance	55	55
Accrued expenses	302	295
GST	123	273
Total creditors and other payables	1,733	959

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.

11. Employee entitlements

	Actual 2019 \$000	Actual 2018 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	197	200
Annual leave	276	243
Sick leave	22	22
Long service leave	44	21
Total current portion	539	486
Non-current employee entitlements are represented by:		
Long service leave	98	89
Total non-current portion	98	89
Total employee entitlements	637	575

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, NZALS used the discount rates published by the Treasury for the purpose of valuing employee benefits as at 30 June 2019 of 1 year 1.26%, 2 year 1.03%, 3 year plus 3.55% (2018: 1 year 1.78%, 2 year 1.9%, 3 year plus 3.55%). The salary growth factor of 2.7% (2018:2.7%) has been determined after considering historical salary inflation patterns by an independent actuary.

Using the discount rate used in 2018 the carrying amount of the liability would be an estimated \$9,000 lower. If the salary growth factor were to differ by 1% from New Zealand Artificial Limb Service's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$8,000 lower if salary growth is 1% lower and \$8,000 higher if salary growth is 1% higher.

12. Equity

General funds

	Actual 2019 \$000	Actual 2018 \$000
Balance at 1 July	4,609	4,142
Surplus/(deficit)	996	467
Balance at 30 June	5,605	4,609

Movement in Board reserves

	Actual 2019 \$000	Actual 2018 \$000
IT enhancement reserve		
Opening balance	-	200
Transferred from general funds	-	(200)
Balance as at 30 June	-	
High needs pool		
Opening balance	-	224
Transferred from general funds	-	(224)
Balance as at 30 June	-	224
Specialised technology pool		
Opening balance	-	150
Transferred from general funds	-	(150)
Balance as at 30 June	-	150
Total Board-created reserves	-	574

13. Capital commitments and operating leases

Capital commitments

There are no capital commitments (2018:Nil).

Operating leases as lessee

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

	Actual 2019 \$000	Actual 2018 \$000
Not later than one year	203	0
Later than one year and not later than five years	544	0
Later than five years	14	0
Total non-cancellable operating leases	761	0

NZALS has commercial leases on the following properties:

- National Office entered into a new lease on 1 September 2018 for a six year term. The annual rent is \$84,328 with a rent review in September 2021.
- Dunedin Centre lease – a three-year variation was verbally agreed, extending the lease to April 2019. No commercial rent is payable with fixed outgoings of \$20,754 per annum. NZALS continues to occupy these premises. No new lease has yet been negotiated. This lease was not signed. NZALS elected to account for this property lease transaction as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

Finance leases

The Auckland, Hamilton, Wellington and Christchurch centres are in premises provided as crown assets at nominal rents. These leases are deemed as Finance leases.

The leases expire as follows:

Auckland – June 2075

Hamilton – June 2030

Wellington – June 2079

Christchurch – June 2045

NZALS has elected to account for the property lease transactions as service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

Christchurch centre entered into a new lease on 4 December 2018 for a 3 year term. Annual rent is \$118,225. NZALS has yet to occupy these premises while discussions are ongoing with Canterbury District Health Board regarding rebuilding options on the land leased at Burwood Hospital site.

14. Contingencies

Contingent liabilities

Superannuation schemes

NZALS is a participating employer in the DBP Contributors Scheme ('the Scheme'), which 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 deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2019, the Scheme had a past service deficit of \$1.8 million, being 1.9% of the liabilities (2018: surplus \$6.6 million – 6.1% of total 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 PBE IPSAS 25.

The current employer contribution rate is one times contributor contributions, inclusive of Employer Contribution Withholding Tax. The Actuary has recommended a stepped approach to changing the employer contribution rate, as follows:

1 April 2020 - 31 March 2021 Three times contributor contributions

1 April 2021 - 31 March 2022 Four times contributor contributions

From 1 April 2022 Five times contributor contributions

The key assumptions in the review were:

- the difference between the future investment returns and the rates of CPI inflation assumed when calculating future factors for transfers from this Scheme to the DBP Annuitants Scheme (DBPA Scheme)
- the pensioner mortality assumptions, which are based on the results of a recent pensioners' mortality investigation, and include an allowance for improving mortality
- the future investment returns assumed for the Scheme over the next ten years.

The following table shows the Scheme investment return over the next ten years, and the difference between investment return and CPI inflation assumed when calculating future factors for transfers from the Scheme to the DBPA Scheme.

Valuation date	31 March 2019	31 March 2018
	%	%
DBPC Scheme investment return, next 10 years	1.7	1.1
Transfer factors: Difference between investment return and CPI inflation		
First 10 years	0.4	(0.3)
Thereafter	1.5	1.8

If the other participating employers ceased to participate in the Scheme, the employer could be responsible for any deficit of the Scheme. Similarly, if a number of employers cease to have employees participating in the Scheme; the employer could be responsible for an increased share of any deficit.

There are no other contingent liabilities (2018: \$nil).

Contingent assets

The NZALS has no contingent assets (2018: \$nil).

15. Related party transactions

Other than as noted below, there are no transactions outside normal supplier or amputee/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect NZALS would have adopted in dealing with the party at arm's length in the same circumstances.

As noted at note 13, NZALS has property lease agreements at nominal rental with the Ministry of Social Development. All other transactions with government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation	Actual 2019	Actual 2018
Board Members		
Remuneration	\$71,908	\$63,991
Full-time equivalent members	1.2	1.2
Leadership Team		
Remuneration	\$989,954	\$875,512
Full-time equivalent personnel	7.34	6.63
Total key management personnel remuneration	\$1,061,862	\$939,503
Total full time equivalent personnel	8.54	7.83

16. Board member remuneration

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

	Actual 2019 \$000	Actual 2018 \$000
G. Reedy	25	25
F. Sumner	9	9
P. Tesoriero	-	1
A. Thurston	9	9
C. Bennett	9	9
K. Ross	9	9
K. Horan	9	-
Total Board member remuneration	72	62

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

No Board members received compensation or other benefits in relation to cessation (2018: nil).

17. Employee remuneration

Total remuneration paid or payable	Actual 2019 \$000	Actual 2018 \$000
\$100,000 – \$109,999	3	3
\$110,000 – \$119,999	-	1
\$120,000 – \$129,999	-	1
\$140,000 – \$149,999	-	1
\$150,000 – \$159,999	1	-
\$210,000 – \$219,999	-	1
\$240,000 – \$249,999	1	-
Total employees	5	7

During the year ended 30 June 2019, 1 employee received compensation and other benefits of \$8,000 in relation to cessation (2018: \$NIL).

18. Events after the balance date

There were no significant events after the balance date.

19. Categories of financial assets and liabilities

The carrying amount of financial assets and liabilities in each of financial instrument categories are as follows:

	Actual 2019 \$000	Actual 2018 \$000
Loans and receivables		
Cash and cash equivalents	1,737	938
Term deposits	1,146	1,108
Receivables	1,800	1,571
Total loans and receivables	4,683	3,617
Financial liabilities measured at amortised cost		
Payables	1,734	959
Total financial liabilities measured at amortised cost	1,734	959

20. Explanation of significant variances against budget

Explanations for significant variations from the NZALS budgeted figures in the Statement of Performance Expectations are as follows:

Statement of Revenue and Expense

Revenue

The additional Government contracted revenue of \$3,891,000 over that budgeted has been generated from services to:

- ACC amputees through the delivery of advanced technology componentry, provision of funding for property.
- Capital and Coast District Health Board for provision of funding for property of \$824,000.
- Waikato District Health Board of \$980,000.

Operating expenses

Total operating expenditure exceeded budget by \$3,164,000. This was principally due to:

- Increased cost of materials resulting from costs associated with the delivery of the advanced technology components to ACC.
- Amputees together with increased service demand to health funded amputees.
- Purchase of orthotic products to service our orthotic patients.
- Property costs.

The other significant expenses exceeding budget was legal costs associated with ongoing official information and privacy requests and other legal matters.

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