



Australian Government
Professional Services Review

PROFESSIONAL SERVICES REVIEW

Annual Report 2011-12

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Letter of transmittal

The Hon. Tanya Plibersek MP
Minister for Health
Parliament House
Canberra ACT 2600

Dear Minister

I am pleased to present to you the Annual Report of the Professional Services Review Agency for the year ending 30 June 2012.

The report has been prepared in accordance with section 106ZQ of the *Health Insurance Act 1973* which requires me to provide you with a report to present to the Parliament. The report reflects the Requirements for Annual Reports approved by the Joint Committee of Public Accounts and Audit under sections 63 and 70 of the *Public Service Act 1999*.

The report includes the Professional Service Review Agency's audited financial statements as required under section 57 of the *Financial Management and Accountability Act 1997*.

I am satisfied that the Professional Services Review Agency has in place fraud control mechanisms that meet the Agency's needs and comply with the Commonwealth Fraud Control Guidelines.

Yours sincerely



Dr Bill Coote
Director
Professional Services Review
5 October 2012



Contents

1. Agency overview	1
The Professional Services Review Scheme	1
Referrals to the Director of Professional Services Review	1
The Professional Services Review process	2
Other possible outcomes of the Professional Services Review process	4
2. Report on performance	5
Outcome and program aims and major activities	5
Professional Services Review Agency performance	6
Summary of legal cases	10
Performance against Portfolio Budget Statement 2011-12	12
Amended Portfolio Budget Statement 2012-13	13
3. External Scrutiny	15
The Senate Community Affairs References Committee Inquiry - Review of the Professional Services Review (PSR) Scheme	15
Health Insurance Amendment (Professional Services Review) Act 2012	15
PricewaterhouseCoopers Report	16
Office of the Australian Information Commissioner Audit	16
Comcare Audit	17
4. Management and accountability	19
Structure and organisation	19
Management of human resources	22
Finance	26
Appendices	29
Appendix 1 Professional Services Review's resource statement and outcome summary 2011-12	31
Appendix 2 Financial statements	33
Appendix 3 Freedom of Information Statement	81
Glossary	83
List of Requirements	85
Index	89



Director's introduction

Dr Bill Coote, Director

This Annual Report 2011-12 for the Professional Services Review (PSR) Agency reflects on a challenging year for the PSR Scheme. During 2011-12, four major processes dominated the Agency's activities and their outcomes will shape important aspects of the Scheme's future operations. These matters were:

- *Kutlu v Director PSR*, and subsequent amendments to the *Health Insurance Act 1973*
- The appointment of a new PSR Panel
- Senate Inquiry into the PSR Scheme
- PricewaterhouseCoopers (PwC) operational review of the PSR Agency.

Kutlu v Director PSR

On 28 July 2011 the full Court of the Federal Court held in *Kutlu v Director PSR* that the appointments of certain PSR Deputy Directors and Panel members were invalid because the then Minister did not consult with the Australian Medical Association (AMA) prior to making the appointments, as required under the *Health Insurance Act 1973*. In early 2012 the Commonwealth was granted leave to appeal this decision to the High Court but subsequently discontinued the appeal, noting its intention to enact legislation to validate all previous appointments.


The *Health Insurance Amendment (Professional Services Review) Act 2012* was passed in June 2012. The Act validates all previous appointments made under the PSR Scheme and validates all past Committee decisions (with the exclusion of the decisions involved in the five matters relating to the four *Kutlu* practitioners). In addition, the Act gives effect to a range of amendments recommended by a comprehensive review of the Scheme in 2007 conducted in consultation with the professions. Some of the specific amendments include:

- removal of PSR referrals to the Medicare Participation Review Committee
- a new requirement clarifying that all concerns regarding a prescribed pattern of services must be referred to the Director
- extending the PSR Scheme to cover all health professionals who are eligible to generate claims under Medicare and the Pharmaceutical Benefits Scheme (PBS).

PSR Panel

The consequences of the resignation of PSR Panel members in late 2010 in response to the *Kutlu* legal challenge were felt throughout 2011-12. However, despite being unable to refer matters to a PSR Committee, the Director and the Determining Authority continued to action and resolve matters in accordance with their statutory roles and the processes outlined in the Act. In 2011-12 PSR resolved 44 matters, including 19 negotiated agreements under section 92 of the Act. During this period, six matters lapsed under section 94 of the Act due to the inability to refer them to a Committee.

On 30 May 2012 the Minister appointed 67 medical practitioners to the PSR Panel for a five year term and in the following months an additional 24 Panel members were appointed from the professions of optometry, dentistry, chiropractics, osteopathy, podiatry, nurse practice and physiotherapy. The support



of all relevant professional organisations throughout this appointment process demonstrates their confidence in the PSR Scheme and the underpinning principle of peer review. These appointments were essential, allowing the Agency to resume its full functions under the Act.

Senate Inquiry into the PSR Scheme

On 6 July 2011 the Senate referred the matter of a Review of the PSR Scheme to the Community Affairs References Committee. The Inquiry provided an excellent opportunity to discuss PSR processes and for practitioners and organisations to raise issues or concerns with the administration of the Scheme.

Two public hearings were held in September 2011 with the Committee receiving submissions from more than 50 stakeholders and organisations. Major themes heard by the Committee related to the transparency and fairness of the PSR process, the definition of a 'peer' in the context of evolving medical practice and 'sub-specialisation' including among general practitioners, and the processes within Medicare that precede referral of a practitioner to the Director PSR.

The Committee handed down its report on 12 October 2011, indicating that the Committee was encouraged by the steps that had been taken by the PSR, the Department of Health and Ageing and the AMA to address past concerns and that PSR's activities since March 2011 had increased trust and acceptance of the Scheme.

The report's recommendations were accepted by the Government. The Agency has taken steps to respond to all recommendations directly within its responsibility. In regard to the Committee's recommendation for enhanced transparency the Agency has:

- launched a new web site in response to the recommendation to increase access to clear and detailed information about the PSR Scheme and processes
- completed the appointment of Panel members under the Scheme in line with the March 2011 guidelines developed with professional organisations
- continued to work with stakeholders on further guidelines and transparent communications.

Other recommendations outlined in the Senate Committee Report were policy or administrative issues outside PSR's direct responsibility.

PricewaterhouseCoopers Review

In August and September 2011 PwC conducted a strategic review of PSR. This report was commissioned by the Department of Health and Ageing following a request to the Department by the former Director of PSR. The review focussed on internal administration and governance within the Agency.

In its final report, PwC made a range of recommendations regarding the operation and administration of the Scheme. The recommendations broadly related to the need for PSR to clarify process maps, implement a formal feedback system and work with stakeholders to enhance the administration of the Scheme. The report also proposed strategies whereby PSR could deal expeditiously with referred matters .

PSR had implemented the majority of recommendations of the report prior to it being finalised and continues to work with the Department on broader policy related issues.

Conclusion

The PSR Agency will continue to adapt its processes in light of the findings and recommendations of the various processes by which PSR activities were reviewed during 2011-12. The Agency looks forward to resuming its important role of contributing to the integrity of the Medicare and Pharmaceutical Benefits arrangements.

The Medicare Benefits Schedule becomes more complex as it evolves to reflect innovations in health science and over recent years the range of professions whose services attract Medicare benefits has expanded. These developments make the tasks performed by PSR more challenging and also more significant.

As Director I would like to acknowledge the support of professional organisations and individual professionals who have contributed as Panel members and as consultants to the Director. I would also like to formally acknowledge the professionalism and dedication of PSR staff who have served the Agency through what has been a difficult period.



Dr Bill Coote

Director

Professional Services Review

1. Agency overview

Professional Services Review Scheme

The PSR Scheme is a key contributor to the compliance and regulatory framework that governs healthcare provision in Australia. PSR is an independent agency within the Australian Government's Health portfolio, and reports directly to the Minister for Health.

The PSR Scheme was introduced in 1994 by the Australian Government to safeguard the public against the risks and costs of inappropriate practice by practitioners. The role and functions of PSR are set out in Part VAA of the *Health Insurance Act 1973* (the Act), which establishes the PSR Scheme. Section 79A of the Act states that:

The object of this Part is to protect the integrity of the Commonwealth Medicare benefits and pharmaceutical benefits programs and, in doing so:

- (a) protect patients and the community in general from the risks associated with inappropriate practice; and*
- (b) protect the Commonwealth from having to meet the cost of services provided as a result of inappropriate practice.*

In its administration of the Scheme, PSR is responsible for reviewing and examining possible inappropriate practice by health practitioners when they provide Medicare services or prescribe government subsidised medicines under the PBS.

Under the PSR Scheme there is a two pronged approach to safeguard the integrity of the Medicare program and the PBS. This involves protecting the public from:

- i. inappropriate practice, by ensuring that the Commonwealth funded services delivered by practitioners are medically necessary and clinically relevant
- ii. the consequences of inappropriate practice, by ensuring that payments to claimants are made in accordance with the regulations for the Medicare and Pharmaceutical Benefit schedules – specifically that the service provided is adequate in light of the associated requirements for the payment claimed.

The PSR Scheme has continued to evolve since its inception. Legislative amendments were made in 1997, 1999, 2002, 2006 and 2012 to strengthen and clarify the professional review process and address evidentiary difficulties. Comprehensive reviews conducted in 1999 and 2006 by government and key stakeholders, and a Senate Inquiry in 2011 also made a number of recommendations to refine the administration of the Scheme and improve its effectiveness and transparency.

Referrals to the Director of Professional Services Review

The PSR process begins when the Department of Human Services (DHS), which manages the Medicare program and the PBS, requests the Director to undertake a review of the provision of services by a practitioner over a specified period.

Under Section 81 of the Act, practitioners reviewed and investigated by the Scheme can be engaged in one of the following professions¹:

- medicine
- dentistry
- optometry
- midwifery
- the practice of a nurse practitioner
- chiropractic
- physiotherapy
- podiatry
- osteopathy.

The practitioners reviewed by PSR must all be referred to the Director by DHS. PSR does not identify or select practitioners for review.

Professional Services Review process

The PSR Scheme provides for the separation of the decision-making process and has three main stages.

1. Consideration by the Director of PSR of whether there is sufficient evidence that would enable a Committee of peers to determine if inappropriate practice may have occurred. Alternatively, if the practitioner is willing to acknowledge inappropriate practice, the practitioner and the Director may seek to negotiate an agreement.
2. A peer review process by a PSR Committee to determine if inappropriate practice has occurred.
3. Consideration and setting of an appropriate sanction by the Determining Authority.

SUMMARY OF STAGE 1 – Review by the Director

Decision on whether the matter should be reviewed

The PSR process begins when DHS requests the Director to undertake a review of the provision of services by a practitioner over a specified period.

A review must be undertaken if, after considering the DHS request, the Director forms the opinion that the practitioner may have engaged in inappropriate practice.

The Director undertakes a review of the data received from DHS, and may also direct the practitioner to produce complete and original patient records. After the records are examined, the Director may meet with the practitioner. A report on the findings is made and any submission received from the practitioner is considered. The Director must then decide to:

1. take no further action
2. negotiate an agreement under section 92 of the Act, or
3. refer the practitioner to a peer review Committee.

¹ The *Health Insurance Amendment (PSR) Act 2012* enables the PSR Scheme to be applied to allied health professionals who provide Medicare services. This amendment commences on 27 December 2012

SUMMARY OF STAGE 2 – Review by a Committee

Decision on whether inappropriate practice occurred

If the Director considers that the conduct of the practitioner needs further investigation, or the practitioner chooses not to enter a section 92 agreement, a Committee of the practitioner's peers is established. Members are drawn from the Panel appointed by the Minister.

The Committee determines whether the practitioner's conduct in connection with the rendering or initiation of services would be acceptable to the general body of their peers. The Committee uses clinical records and any other material provided by the practitioner to make this decision.

If, after considering the information provided, the Committee forms a preliminary view that the practitioner may have engaged in inappropriate practice, a hearing is held. The hearing provides the practitioner with the opportunity to present both oral and written evidence to support their case. After considering all of the evidence, the Committee produces a draft report containing its findings and provides a copy to the practitioner.

If the Committee finds that no inappropriate practice has occurred, the matter is closed. If the Committee finds that inappropriate practice has occurred, the practitioner is given time to make submissions on the draft report. The Committee then considers the practitioner's submissions and may or may not change their findings. The Committee then issues a final report to the practitioner and the Determining Authority.

SUMMARY OF STAGE 3 – Determining Authority

Decision on a suitable sanction


The Determining Authority is an independent body within the PSR Scheme. The Determining Authority has two main functions, which are to:

- decide whether to ratify section 92 negotiated agreements reached between the Director of PSR and a practitioner
- determine what sanctions to apply when a Committee finds that a practitioner has engaged in inappropriate practice.

When a Committee makes a finding of inappropriate practice against a practitioner, the Determining Authority will invite submissions from the practitioner on the sanctions it should impose. The Determining Authority will then draft a determination, including the sanctions it intends to impose.

The Determining Authority must impose one or more of the following sanctions:

- reprimand
- counselling
- partial disqualification from claiming a Medicare benefit for no more than three years
- full disqualification from claiming a Medicare benefit for no more than three years
- direction for repayment of any Medicare benefits for services provided in the review period that have been found to have been provided inappropriately
- full disqualification from the PBS for no more than three years.



Practitioners are given an opportunity to make written submissions on the draft determination. The Determining Authority will consider this submission and then make a final determination. The final determination contains the final decision of PSR and is the end of the PSR process, unless the practitioner appeals to the Federal Court or Federal Magistrates Court.

Other possible outcomes of the Professional Services Review process

Referral to health registration boards

The Act allows the PSR Director and a PSR Committee to refer practitioners under review to appropriate bodies when a significant threat to the life or health of a patient is identified, or where the practitioner under review has failed to comply with professional standards.

Medicare Participation Review Committees

When a practitioner has received two effective final determinations, the PSR Director must provide a written notice to the Chairperson of the Medicare Participation Review Committee (MPRC). These committees have a discretionary range of options from taking no further action to counselling and reprimand, or full or partial disqualification from participation in the Medicare benefits arrangements for up to five years.²

² The *Health Insurance Amendment (PSR) Act 2012* removes the requirement for the Director of PSR to refer practitioners, who have been found to have engaged in inappropriate practice on two or more occasions, to the Chairperson of the MPRC. This amendment commences on 27 December 2012.

2. Report on performance

Outcome and program aims and major activities

The PSR Agency contributes to the Australian Government's Health and Ageing portfolio outcomes.

The PSR Scheme is funded to ensure that requests by Medicare (part of DHS) to investigate suspected cases of inappropriate practice are reviewed, and if necessary, examined by a Committee of the practitioner's peers.

PSR's outcome, as specified in the Portfolio Budget Statement 2011-12, is:

A reduction of the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical Benefits schemes.

The program that PSR delivers, as specified in the Portfolio Budget Statement 2011-12, is:

Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme.

PSR's program aims to:

- protect patients and reduce costs associated with inappropriate practice
- maintain the support of health practitioners for PSR.

Protecting against inappropriate healthcare practice

During 2011-12 PSR continued to investigate healthcare professionals, support the Determining Authority in its determination of sanctions, and refer behaviour that may be a threat to the life or health of patients or that fails to meet professional standards to the relevant bodies for appropriate action.

A summary of outcomes is provided in the Agency Performance section of this report.

Maintaining professional support for Professional Services Review

During 2011-12, PSR worked closely with key stakeholders to inform policy and improve its operations. Stakeholders include the Department of Health and Ageing (DoHA), the Department of Human Services, the Australian Medical Association (AMA) and other relevant professional organisations. The Director of PSR has engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme, including:

- Royal Australian College of General Practitioners
- Royal Australasian College of Surgeons
- Royal Australasian College of Physicians
- Optometrists Association of Australia
- Chiropractors Association of Australia
- Australian Dental Association
- Australian Physiotherapy Association
- Australian Osteopathic Association
- Australasian Podiatry Council

- Australian College of Midwives
- Australian College of Nurse Practitioners
- Rural Doctors Association of Australia
- Australian Doctors Union.

The PSR Advisory Committee has been an important forum for discussing significant issues relating to administration of the PSR Scheme. In 2010-11 the PSR Advisory Committee developed Guidelines for the *Appointment of Medical Practitioners as Panel Members, Deputy Directors and Consultants to Professional Services Review Matters*. The guidelines, agreed with the AMA, outline the criteria for selecting Panel members and Deputy Directors and the process to consult on their appointment. These guidelines formed part of the Memorandum of Understanding between the Minister for Health and the AMA signed on 7 November 2012, and were used to guide the consultation process to appoint a new PSR Panel in mid 2012.

Case Study 1

The DHS referred Dr A to PSR for a range of rendered services and prescribing under the PBS. Of these the MBS items included 23, 36, 44, 2713 and 2713 in association with item 36. PBS Items included 03162K, 03133X and 02089Y.

A sample of clinical records was obtained including for services claimed as Level C and Level D under Medicare. For the majority of the records examined the services were for straightforward complaints. The records did not support billing at Level C or Level D - in many cases there were no extensive histories and in other instances no examination findings recorded. The records did not meet the requirement under the Health Insurance Act to maintain adequate and contemporaneous records.

During the review meeting, Dr A acknowledged inappropriate practice specifically in relation to MBS items 36 (Level C consultations) and 44 (Level D consultations) and sought to negotiate an Agreement with Director. Dr A agreed and repaid the Commonwealth an amount of \$12,500.00.

Dr A was disqualified from claiming items 36 and 44 for a period of 2 months and was formally reprimanded by the Director.

Professional Services Review Agency performance

The following outline of PSR's performance relates to all activities it undertook during 2011-12. This included work on 32 cases already on hand at the beginning of the year, as well as 30 cases received during 2011-12. As PSR's case processes take more than one year to conclude, workload data cannot be reconciled within a 12 month period.

New referrals from the Department of Human Services

During 2011-12, DHS sent 30 requests for review to PSR. This represents a decrease of 46.43 per cent when compared with the workload received in 2010-11.

In 2011-12, PSR completed 44 cases. Of these, 13 were the subject of a decision by the PSR Director to take no further action, 6 resulted in no further action having passed the 12 month deadline for

Committee referral, 19 were negotiated agreements that were ratified, and 6 matters before the Federal Court were completed. Due to the absence of a PSR Panel there were no cases investigated by PSR Committees during 2011-12.

Table 1 lists PSR's workload statistics from 2010-11 to 2011-12.

Table 1: Professional Services Review's workload statistics 2010-11 to 2011-12

Action	2010-11	2011-12
Requests received from DHS	56	30
• requests by DHS to review a practitioner for a second or subsequent time	14	3
No further action	9	13
Requests withdrawn or lapsed	2	6
Referrals from the PSR Director to new PSR Committees ^a	3	0
Committees in progress	0	0
Committee reports finalised	0	0
• reports finding inappropriate practice	0	0
• reports finding no inappropriate practice	0	0
Committee matters ceased ^b	39	0
Referrals to medical boards	6	0
Referrals to Medicare Participation Review Committees	7	4
Referrals to other bodies	0	0
Referrals to DHS for suspected fraud	0	0
Negotiated agreements ratified	32	19
Draft determinations made	7	0
Final determinations made	6	0
Final determinations effective	6	0
Cases on hand, at 30 June ^c	52	32

Notes:

- Due to the absence of a PSR Panel there were no cases investigated by PSR Committees during 2011-12.
- Committee matters ceased after resignation of PSR Deputy Directors and Panel members.
- As PSR's case processes take more than one year to conclude, workload data cannot be reconciled within a 12 month period.

Cases dismissed – No further action

The PSR Director can, after considering all the relevant material, decide to dismiss a case and take no further action under section 91 of the Act.

The PSR Director took no further action in 13 of the 44 cases completed in 2011-12. This represents 29.54 per cent of all matters completed in the year.

In these 13 cases, a decision was reached in an average of 247 days (compared to an average of 185 days in 2010-11).

In six cases, the Director was taken to have made a decision to take no further action after the case passed the 12 month deadline for Committee referral under section 94 of the Act.

The dismissed cases involved 18 general practitioners and one surgeon. These practitioners were from New South Wales, Queensland, Victoria and Western Australia.

Case Study 2

The DHS referred Dr B to PSR for rendering of MBS items 597 and 601 which specifically relate to professional attendance by a general practitioner for urgent after hours attendances.

Examination of a sample of clinical records indicated that in many cases services were provided for conditions that did not appear to require urgent care as defined in the relevant MBS item descriptions.

The Director met with Dr B to discuss these areas of concern. Dr B indicated that decisions about which item to claim were made by the after hours service for which he worked. Dr B indicated that he changed his arrangements and now recognises that it is his personal, professional responsibility to select which MBS Item is relevant for a particular consultation. Dr B acknowledged inappropriate practice and negotiated an Agreement to repay the Commonwealth an amount of \$28,000.

Dr B was formally reprimanded by the Director.

Negotiated agreements

Under section 92 of the Act, the Director and the practitioner under review can seek to enter into a negotiated agreement.

The agreement must include:

- an acknowledgement by the practitioner that they have engaged in inappropriate practice in relation to certain Medicare Benefits and/or PBS items
- a binding decision on what sanctions will apply in relation to their matter.

In 2011-12, 19 negotiated agreements were ratified. Outcomes of these negotiated agreements (Table 2) include:

- repayment orders totalling \$668,459.63 in 17 cases
- reprimand in 18 cases
- suspensions/disqualifications from access to the Medicare Benefits program or the PBS in 9 cases.

The practitioners concerned were general practitioners from New South Wales, Queensland, Tasmania, Victoria and Western Australia.

Table 2: Negotiated agreements 2011-12

Repayment orders	\$668,459.63
Reprimands	18
Total suspensions	9
• Full suspensions	0
• Partial suspensions	9
• Full and Partial suspensions	0

Professional Services Review Committees

During 2011-12 PSR has worked closely with the Minister, the Department of Health and Ageing, AMA and relevant professional organisations to appoint a new PSR Panel.

On 30 May 2012 the Minister appointed 67 medical practitioners to the PSR Panel for a five year term and 25 of these were also appointed as Deputy Directors. The consultation and appointment process was completed in line with legislation and the Memorandum of Understanding between the Minister for Health and the AMA as required under sections 84 and 85 of the Act.

In the following months the Minister approved the appointment of a further 24 applicants from the professions of optometry, dentistry, chiropractics, osteopathy, podiatry, nurse practice and physiotherapy as Panel members and Deputy Directors on the PSR Panel, following consultation with relevant professional organisations.

The PSR Panel consists of practitioners from a range of backgrounds and practice locations. Nine per cent of the PSR Panel practice in rural locations, with a further nine per cent practicing in regional locations. 32 per cent of the PSR Panel is female.

The Determining Authority

In 2011-12, the Determining Authority ratified 19 negotiated agreements. No draft and no final determinations were made due to the absence of Committee referrals (Table 1).

The Determining Authority took an average of 19 days (compared with 18 in 2010-11) against a legislated timeframe of one month to ratify 19 negotiated agreements (Table 3).

Table 3: Average number of days to complete agreements and determinations 2010–11 and 2011-12

	2010–11	2011-12
No further action	185	247
Negotiated agreements	236	232
Final committee reports ^a	669	-
Ratification of negotiated agreements	18	19
Draft determinations ^a	254	-
Final determinations ^a	100	-

a. Due to the absence of a PSR Panel there were no cases investigated by PSR Committees during 2011-12.

Re referrals

In 2011-12, DHS made three requests to PSR to review practitioners who had previously been referred to, and reviewed, by PSR. At 30 June 2012, all three these cases were still under review. PSR continues to work with DHS to analyse the claiming behaviour of practitioners whose practice continues to cause concern after they have been through the PSR process.

Four cases were referred to the Chairperson of the Medicare Participation Review Committees because a second or subsequent final determination was made. These matters relate to cases referred to PSR in previous financial years which were completed in 2011-12.

Case Study 3

Dr C was referred by DHS for a range of services. These included daily servicing, breaching the 80/20 rule, initiation of pathology, initiation of radiology and prescribing under the PBS.

Medicare was concerned that the unusually high volume of services may mean that some of the services for which Medicare benefits had been paid may not satisfy the MBS Item descriptor and/or that the clinical input to the service was inadequate. The Director met with Dr C to discuss the referral and indicated that when a sample of clinical records were examined for services claimed at Level C there was often very little patient history or examination findings recorded .

Dr C acknowledged inappropriate practice, specifically in connection with initiating services relating to Level C and Level D consultations, and agreed to repay the Commonwealth an amount of \$32,000 through a negotiated Agreement.

Dr C was partially disqualified by the Director for a period of 6 months from claiming Level C and D consultations and was formally reprimanded.

Referrals to medical boards and other bodies

The Act requires the Director to refer practitioners to appropriate bodies when a significant threat to the life or health of a patient is identified, or if the person under review has failed to comply with professional standards.

In 2011-12, the Director made no referrals of practitioners to the Australian Health Practitioner Regulation Agency or other bodies.

External review of actions

Practitioners involved in the PSR process can seek judicial review in the Federal Court or Federal Magistrates Court.

No new applications were made to the Court in 2011-12.

One decision was made in the Full Federal Court. This matter was decided against PSR. The Commonwealth subsequently sought leave to appeal to the High Court which was granted on 10 February 2012. The Commonwealth discontinued the appeal on 18 May 2012.

Summary of court cases

The court case decisions during 2011-12 are summarised below.

Full Federal Court

Kutlu v Director of Professional Services Review

In this case, and four associated cases, the Full Court of the Federal Court held that the appointments of certain persons as Deputy Directors of PSR and the appointments of certain persons as PSR Committee members were invalid, with the consequences that PSR Committees constituted by them were invalidly constituted and that reports of the Committees and determinations of the Determining Authority made on the reports were also invalid.

The Full Court said that the obligation imposed on the Minister by section 85 of the Act to consult the AMA before appointing a person to be a Deputy Director and the like obligation imposed by section 84 to consult the AMA before appointing a person as a panel member were essential preconditions to the exercise of the functions that the Act conferred on Committees and the persons who constituted them. The Court found that consultation had not occurred in relation to the appointments in question.

The Commonwealth argued that, even if the appointment of a panel member or Deputy Director were invalid, the acts of the particular appointees could not be challenged because of the common law doctrine concerning the validity of acts done by de facto officers. The Commonwealth submitted that the de facto officer doctrine prevented a challenge such as that made in the proceedings before the Court to the past acts of a person purporting to occupy an office in apparent execution of that office. The Court rejected this argument. It said that the de facto officers doctrine did not have any operation in the statutory context of the PSR scheme.

The Commonwealth subsequently sought, and was granted, special leave to appeal to the High Court against the decision of the Full Federal Court. That appeal was discontinued on 18 May 2012. On 27 June 2012 the Health Insurance Amendment (Professional Services Review) Bill 2012 received Royal Assent. The Bill validated the Committee appointments.

The validating provisions were expressed, however, as not affecting the rights of parties to the proceedings for which leave to appeal to the High Court had been granted. On 6 June 2012, the Federal Court made consent orders setting aside the Committee report relating to Dr Kutlu. Similar consent orders were made in the four associated cases.

Lindsay v Director of Professional Services Review and others

The proceedings at first instance in this matter were summarised in the 2010-2011 Annual Report. The applicant appealed to the Full Court of the Federal Court and, in the appeal proceedings, was given leave to amend the notice of appeal to confine the appeal to the ground that the particular PSR Committee was invalidly constituted. Following the discontinuance of the High Court appeal in *Kutlu*, the Federal Court on 19 June 2012 made consent orders setting aside the Committee's report and the determination of the Determining Authority.

Case Study 4

The DHS referred Dr D for rendered services – total services.

When a sample of clinical records was examined there were various concerns. These included the ordering of pathology estimations without any clinical indication recorded in the patient notes. There was also concern with the practitioner's Item 723 Team Care Arrangement documentation as there was often no record of the collaboration between the practitioners required under the MBS. During the review meeting, the Director discussed these findings with Dr D.

Dr D acknowledged engaging in inappropriate practice in relation to initiation and rendering of MBS and PBS services. Dr D was formally reprimanded by the Director as part of terms set out in the negotiated Agreement.

Case Study 5

The DHS referred Dr E for a range of concerns. Specific concerns included rendered services – total and daily services, breaching the 80/20 Rule, initiation of diagnostic imaging, pathology and prescribing under the PBS.

Examination of a sample of clinical records by the Director raised a series of concerns. For example, in a majority of cases where CT scans of either the lumbosacral spine or of the abdomen and pelvis had been performed at the request of the practitioner there was little or nothing in the clinical notes which indicated the clinical reasons for initiating the examination.

The Director met with Dr E to discuss the findings and considered the practitioner's submission.

The Director entered into an Agreement following Dr E's acknowledgement of inappropriate practice for the concerns referred by DHS.

Dr E was ordered to repay the Commonwealth an amount of \$55,000.00 and was formally reprimanded by the Director.

Performance against Portfolio Budget Statement 2011-12

Key performance indicator

The quantitative key performance indicator specified for PSR in the Portfolio Budget Statement 2011-12 was the percentage of referred practitioners found to have practised inappropriately more than once.

PSR achieved its target of 6 per cent, with the rate of referred practitioners found to have practised inappropriately more than once in 2011-12 being 5 per cent.

In 2011-12, PSR will continue analysing the cases of practitioners who have been referred to PSR more than once, and the instances of multiple effective determinations. This will enable PSR to identify any trends or indicators that may reveal opportunities to strengthen the deterrent effect of the Scheme.

Quantitative deliverables

The Agency's year-end result was affected by the inability of the Director of PSR to refer matters to PSR Committees, and the cessation of 39 PSR Committees in the 2010-11 financial year (Table 4). PSR continued to action referrals from DHS during 2011-12, completing 44 matters.

Table 4: Professional Services Review quantitative deliverables 2011-12

Quantitative deliverables	2011-12 Budget	2011-12 Actual
Reviews finalised	60	38 ^a
Committees established	20	0
Final determinations issued	60	19

- a. This figure includes section 91 no further actions, section 92 negotiated agreements. The figure excludes cases which have lapsed under section 94.

Amended Portfolio Budget Statement 2012-13

For the forward years commencing 2012-13, the key performance indicators and deliverables in the PBS have been revised to better measure the requirements of the Act and the nature of case referrals from the DHS.

Key changes are the amendment of quantitative deliverables to reflect a focus on percentage based outcomes matched to requirements within the Act (Table 5), for example:

- 100 percent of review cases finalised by the Director within 12 months
- 100 percent of matters where a significant risk to life or health is identified are referred to external bodies.

Key performance indicators which have been removed relate to the number of instances in which a practitioner has been found to have practiced inappropriately on a second or subsequent time. This was a measure which was beyond PSR's control.

Deliverables have been amended in the 2012-13 PBS to reflect the impact of the PSR Panel resignations in March 2011 and the subsequent reduced number of cases on hand.

Table 5: Professional Services Review quantitative deliverables 2012-13

Quantitative Indicators & Deliverables	2012-13 Budget	2013-14 Budget
Protect against inappropriate health care practice		
Percentage of reviews by the Director of PSR finalised within 12 months	100%	100%
Number of Committees established ¹	10	15
Total number of matters finalised ²	30	40
Percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient is identified	100%	100%
Total PSR actions upheld by the courts after appeal	100%	100%

1. This deliverable has been amended in the 2012-13 Portfolio Budget Statements to reflect the impact of the PSR Panel resignations in March 2011 and the subsequent reduced number of cases on hand.
2. Including section 91 no further actions, section 92 negotiated agreements and final determinations resulting from a Committee hearing.

Case Study 6

The DHS referred Dr F for rendered services – total and daily services and breaching the 80/20 Rule.

During the review meeting, the Director discussed the areas of concern provided by DHS and considered Dr F's submission in response to the request for review. The Director indicated that an examination of a sample of clinical records showed that for many pathology tests initiated by the practitioner, including iron studies and TSH estimations, the clinical notes did not contain any information explaining why these tests were ordered. There were also concerns regarding the appropriateness of the practitioner's ordering of CT scans of the brain where the clinical notes often recorded indications such as insomnia or depression. On one occasion it appeared this service was initiated for an 18 year old patient when a similar examination three weeks earlier had been normal.

Dr F acknowledged inappropriate practice and sought to enter a negotiated Agreement with the Director.

Dr F was ordered to repay the Commonwealth an amount of \$30,000.00 and was formally reprimanded.



3. External Scrutiny

The Senate Community Affairs References Committee Inquiry - Review of the Professional Services Review (PSR) Scheme

On 6 July 2011 the Senate referred the matter of a *Review of the Professional Services Review (PSR) Scheme* to the Community Affairs References Committee.

The Inquiry was advertised in *The Australian* and on the internet, and the Committee wrote directly to a number of organisations and individuals inviting submissions to the Inquiry. The Committee received submissions from 52 individuals and organisations. Two public hearings were held, the first in Canberra on 22 September 2011 and the second in Canberra on 23 September 2011.

Throughout the Inquiry a number of areas were reviewed. These included:

- audit procedures
- general Principles of the PSR
- operating Procedures of the PSR.

The Committee handed down its final report on 12 October 2011. A number of recommendations were made in the Committee final report, some of which required specific action from PSR. The Committee requested a 12 month review from implementation and requested this be carried out in consultation with relevant medical professional bodies, and other key stakeholders, and have the findings of the review publicly available.

The Australian Government accepted all recommendations made by the Committee and PSR has implemented those recommendations within its control.

PSR has:

- launched a new revised web site in response to recommendation 1, 2 and 3.
- completed the appointment of Panel members under the Scheme in line with the March 2011 guidelines in line with recommendation 4.
- continued to work with stakeholders on further guidelines and transparent communications in line with recommendations 3 and 4.

Other recommendations outlined in the Senate Committee Report were policy or administrative issues outside PSR's direct responsibility. PSR continues to work with relevant organisations to address these recommendations.

The Senate Committee's final report can be accessed on the Parliament of Australia website: www.aph.gov.au.

Health Insurance Amendment (Professional Services Review) Act 2012

On 27 June 2012 the *Health Insurance Amendment (PSR) Act 2012* received Royal Assent.

The Act introduces amendments in response to the decision of the full Federal Court in the case of *Kutlu v Director of PSR* and, while preserving the rights of parties to those proceedings, validates all past PSR Committee decisions.

The Act also implements a number of recommendations of the 2007 review of the PSR Scheme. Some of the amendments include the removal of referrals to the Medicare Participation Review Committee, the requirement for DHS to refer all 80/20 matters to the Director, and extension of the PSR Scheme to cover all health practitioners who are eligible to generate claims under Medicare and the PBS.

Further information on the Act, including the Explanatory Memorandum, can be accessed on the Parliament of Australia website: www.aph.gov.au.

PricewaterhouseCoopers Report

In August and September 2011 PwC conducted a strategic operational review of PSR. This report was commissioned by the Department of Health and Ageing following a request to the Department by the former Director of PSR.

In its final report, PwC made a range of recommendations regarding the operation and administration of the PSR Scheme. PSR had implemented the majority of recommendations of the report prior to it being finalised. For example, PSR:

- completed end to end process maps to aid in process analysis, improvement and transparency for staff, and provide appropriate training and role clarification to embed revised practices
- commenced negotiations around additional guidelines with the AMA and other stakeholders to enhance the administration of the Scheme
- implemented a formal feedback system
- developed an Agency business plan and quarterly performance report to document and track the Agency progress to assist with the improvement of legislative compliance, financial compliance, clarity of roles and responsibilities, case management and document security.

PSR continues to work with the Department of Health and Ageing on broader policy related recommendations.

Office of the Australian Information Commissioner Audit

On 5 July 2010, the Office of the Australian Information Commissioner (OAIC) wrote to PSR advising of their intention to conduct an own motion investigation into the way PSR stores Medicare and PBS information within the one system as part of the review process.

OAIC found that PSR has compliant practices in place to protect the information it holds from unauthorised access, use, modification or disclosure. The Commissioner found no evidence of any wrongdoing in relation to the handling of a practitioner's clinical records.

OAIC's sole finding related to the compliance of PSR's records management system with Guidelines dealing with the storage of claims data within a database. OAIC identified that PSR was in breach of its obligations as set out in the *National Health Act 1953* guidelines for Medicare and PBS Privacy. These breaches were of a technical nature due to the internal structure of PSR's electronic records storage system. Specifically OAIC found that PSR was storing correspondence received from Medicare about a practitioner's PBS and Medicare claims information in a secure electronic file, relating to that practitioner's case. This caused the practitioner's Medicare and PBS claims information to be held within the same electronic folder. The claims data was not merged.

Following endorsement by OAIC, PSR has implemented a solution to create two data stores within the records management system that separates data received from Medicare. The ability to conduct content searches within the PBS data-store has also been removed.

The Commissioners Report was publicly released on 15 December 2011 and is available on OAIC's website: www.privacy.gov.au.

Comcare Audit

During 2010-11 Comcare conducted an investigation to assess whether PSR has appropriate systems in place to prevent, manage and respond to workplace bullying and harassment. This investigation was conducted in accordance with section 41 of the *Occupational Health and Safety Act 1991*. As part of the investigation Comcare conducted a workplace audit of the occupational health and safety (OHS) management systems relating to bullying and harassment.

Comcare noted during the audit that the Agency had demonstrated commitment to introducing strategies to further strengthen and maintain a culture of mutual respect and conduct consistent with the Australian Public Service (APS) Code of Conduct. However, the audit revealed that there were areas for improvement of general OHS management. A report was provided to PSR with recommendations. PSR created an action plan listing the actions that the Agency would complete against each recommendation.

Comcare returned to PSR in May 2012 to conduct a review of the audit. The Comcare Audit Review Report concluded that PSR was able to demonstrate significant progress against the recommendations. Comcare was satisfied that PSR has taken reasonable and practicable steps to address issues identified.

Some of the action that the Agency completed through the action plan included:

- Reviewing and implementing numerous policies relating complaints, bullying and harassment and code of conduct breaches
- The implementation of a complaints register
- Incorporating APS Values, Code of Conduct and Statement of Behaviour into the Performance Development Scheme
- Providing in-house training on appropriate behaviour and responsibilities
- Implementation of an induction book to include WHS information
- Implementation of staff consultation mechanisms
- Implementation of a Risk Register to include WHS risks
- Promotion of reporting of incidents in the workplace
- Additional workplace harassment contact officer and information.



4. Management and accountability

Structure and organisation

The PSR Scheme is managed by the Director, who is an independent statutory officer appointed by the Commonwealth Minister for Health under section 83 of the Act. The Director is responsible for arranging for the provision of services to each PSR Committee and the Determining Authority. Section 106ZM of the Act states that the Director and the APS employees assisting the Director together constitute a statutory agency, and that the Director is the Head of that statutory agency for the purposes of the *Public Service Act 1999*.

PSR is also prescribed as an Agency for the purposes of the *Financial Management and Accountability (FMA) Act 1997*, and the Director is prescribed as the Agency's Chief Executive.

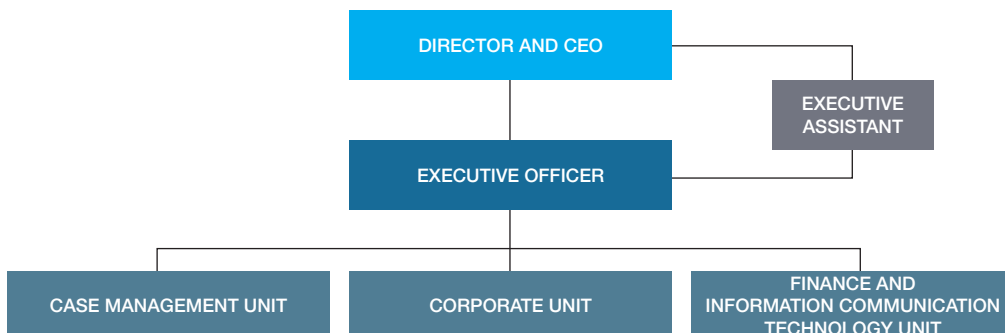
During 2011-12, the Director of PSR was Dr Bill Coote. Dr Coote was first appointed by the Minister for Health in an acting capacity, with agreement from the AMA, on 14 August 2011. Dr Coote was substantively appointed by the Minister for Health and Ageing on a full-time basis on 14 November 2011 for a three year period.

In 2011-12, the Director employed 27 APS employees to assist in the management and administration of the PSR scheme.

A new structure was implemented across the PSR Agency in 2011-12 (Figure 1). This provided for a:

- Case Management Unit responsible for managing the casework arising from DHS referrals
- Corporate Unit responsible for the human resources function, planning and reporting, security and property management
- Finance and Information Communication Technology Unit, which is responsible for the financial management of PSR as well as its information technology and management systems.

Figure 1: Professional Services Review Agency organisation chart 2011-12



Corporate governance and planning

Overall accountability for PSR rests with the Director, who has primary authority and legal responsibility for managing the Agency.

During 2011-12, PSR implemented a new strategic planning framework to improve the links between the Agency's corporate plan, business plan, unit plans and the work plans of individual employees.

A Corporate Plan 2011–2013 was released in support of the newly implemented framework. The plan outlines four distinct goals:

- PSR complies with Commonwealth laws and conducts its business accurately, effectively and efficiently
- PSR monitors and reports on its performance and is committed to continuous improvement
- PSR is a model APS employer able to attract, develop and retain high quality people
- PSR is respected and has the confidence of its stakeholders.

The corporate plan is publicly available on the PSR website: www.psr.gov.au.

Executive and Management Committee

PSR's Executive and Management Committee comprises the Director, the Executive Officer and the unit managers. The Committee meets on a monthly basis.

The Executive and Management Committee promote the core principles of good public sector governance, such as leadership, accountability, transparency, integrity, efficiency and risk management.

As PSR is a small agency, the Executive and Management Committee performs a variety of roles to support and monitor the organisation's business that might, in larger organisations, be performed by specialist committees.

The Executive and Management Committee is responsible for advising the Director on planning, budgeting, financial management, performance monitoring and corporate governance, including human resources and workplace health and safety.

Audit Committee

The Audit Committee is established under section 46 of the FMA Act by the Director. The purpose of the Committee is to provide independent assurance and assistance to the Director on PSR's risk, control and compliance framework and its external accountability responsibilities.

In 2011-12 PSR's Audit Committee consisted of three members: Ms Glenys Roper, independent chairperson; Mr Peter Hoefer, independent member; and PSR's Executive Officer. Ms Roper chaired her final meeting in June 2012 and has been succeeded by Ms Gayle Ginnane for 2012-13. The Audit Committee fulfils its role by monitoring the organisation's compliance with legislative and other obligations relating to financial management, including the FMA Act and the *Auditor General Act 1997*.

In 2011–12, the Audit Committee met on four occasions to provide independent advice and assistance to the Director on PSR's risk, control and compliance framework, and its external accountability responsibilities. Representatives from the Australian National Audit Office and PSR's internal auditors were invited to attend each Audit Committee meeting.

Fraud control

The Commonwealth Fraud Control Guidelines are issued by the Minister for Home Affairs under Regulation 16A of the FMA Regulations.

The FMA Regulations require officials to have regard to the guidelines when performing duties related to the efficient, effective, economical and ethical use of public resources. The purpose of the guidelines is to establish the policy framework and articulate the Australian Government's expectations for effective fraud control for all agencies and their employees and contractors, subject to the FMA Act. Chief Executives are required to implement fraud control plans under section 45 of the FMA Act. Officials performing duties in relation to the control and reporting of fraud must act in accordance with the Fraud Control Guidelines under FMA Regulation 16A.

During 2011-12 PSR undertook a range of initiatives to address the expectations of the Fraud Control Guidelines. A risk assessment was conducted to assess the Agency's exposure to fraud. The significant risks identified for the Agency relate to vendor payment fraud, the use of Australian Government credit cards and flexible working arrangements. The risk assessment was used to develop the PSR Fraud Control Plan for 2012-14. The plan incorporates information relating to PSR's approach to fraud control, the updated fraud risk assessment and strategies for fraud minimisation arising from the risk treatment recommendations. PSR took all reasonable measures to minimise the incidence of fraud, as such there were no reported fraud incidents detected during 2011-12. PSR will continue its ongoing review of its fraud control plan in accordance with the guidelines.

Some of the fraud initiatives undertaken in 2011-12 by PSR include:

- The development and implementation of a fraud awareness program. The program has increased general understanding within the Agency of employee fraud control and mitigation obligations.
- Inclusion of a process to assess fraud risks prior to any major project expenditure.
- Regular scrutiny of Agency fraud risks through the internal audit program as a permanent agenda item at the PSR Audit Committee.

In 2012-13 PSR will work to further strengthen its fraud control initiatives – specifically through the development of a fraud performance monitoring process to ensure that the management of each of the Agency's fraud risks is regularly monitored and reported to the Audit Committee.

Risk management

A positive culture of risk management is a central element of PSR's operations and essential to success in achieving outcomes. PSR's risk management framework requires analysis to be undertaken at a number of levels, including strategic, operational, and financial and fraud risk. Risk must also be considered in key decision making activities and, in particular, when undertaking policy development and giving policy advice; in planning for and undertaking significant projects and procurements such as major events and taskforces; when outsourcing services, managing contracts and delivering programs; and when providing secretariat and support services. In 2011-12, PSR undertook specific risk activities in relation to security, workplace health and safety and business planning.

The agency's risk management plan is updated annually. This annual update is informed by feedback from senior managers, outcomes from the agency's annual internal audit program, as well as views of the Audit Committee and PSR's Executive and Management Committee. The Executive and

Management Committee is responsible for approving the plan and monitoring implementation of treatment strategies and tracking risks. They routinely consider ongoing or emerging risks that may impact on the achievement of objectives. Monitoring and reporting of risk through these committees or, more formally, through the agency's operational planning and reporting process ensures ongoing oversight of developments in this area.

This year PSR completed the 2012 Comcover Benchmarking Survey and the results showed that PSR has improved significantly in relation to its risk maturity.

Ethical standards

All employees are bound by the APS Values and Code of Conduct as outlined in sections 10(1) and 13 of the *Public Service Act 1999* which is an integral part of the human resources framework and is the foundation of all human resources policies and procedures.

PSR expects all employees to uphold the APS Values and Code of Conduct and is committed to promoting an ethical standard of behaviour in the workplace. PSR ensures all employees work in an environment that allows them to reach their full potential where they are treated fairly, equitably and with respect. These values are embedded in the agency's Performance Development Scheme and have been complemented by the introduction of the PSR Statement of Behaviour, which was developed following a series of discussions regarding APS expectations.

PSR is committed to developing and maintaining a culture where all employees are encouraged and supported in raising concerns about unacceptable behaviour that is free from bullying and harassment and provides protection to employees who report instances of suspected breaches of the Code of Conduct from discrimination or victimisation. Agency procedures for managing alleged breaches of the Code of Conduct set out how allegations will be managed and is available to all employees on the intranet.

New employees who commence with PSR are provided with an induction pack which contains specific information about the Agency and information about the APS Values and Code of Conduct and what is expected of all APS employees. Information about the APS Values and Code of Conduct including human resources policies are made available to all employees via the intranet.

The Human Resources Manager represents the Agency on the Ethics Contact Officer Network. The network plays a key role in supporting the ongoing work of the Ethics Advisory Service.

Business continuity

During 2011-12 a new Business Continuity Management Plan was developed to identify essential business activities and timeframes for implementing alternate arrangements in the event of incidents that disrupt service delivery. The management plan allows the priority allocation of resources to critical business processes to ensure that PSR continues to provide services in the event of a disaster. The management plan was implemented in June 2012 and testing is scheduled throughout 2012-13.

Management of human resources

During 2011-12 PSR continued the review and redevelopment of human resource policies and guidelines, negotiation of a new Enterprise Agreement, implementation of strategies for managing systems relating to bullying harassment as well compliance with new Work Health and Safety legislation and the recruitment of a new Executive Officer.

Australian Public Service staff

Staff employed by PSR, with the exception of the PSR Director, are employed under the Public Service Act.

At 30 June 2012, PSR employed 27 APS staff members, including staff on long term leave and secondment.

Table 6 provides details of staff numbers by classification, gender, employment category and status. Table 7 shows the actual PSR staff numbers over the year. Both the tables includes staff that are temporarily transferred to PSR from another government agency or on secondment from PSR to another government agency as well as staff who are on long term leave.

Table 6: Professional Services Review Australian Public Service staff by classification and employment category, at 30 June 2012

Classification	Gender		Employment category		Employment status		Total
	Male	Female	Ongoing	Non ongoing	Full time	Part time	
SES Band 1	1	0	1	0	1	0	1
EL 2	3	1	3	1	4	0	4
EL 1	3	6	8	1	7	2	9
APS 6	1	1	2	0	1	1	2
APS 5	0	3	3	0	2	1	3
APS 4	0	4	3	1	1	3	4
APS 3	2	2	3	1	3	1	4
Total	10	17	23	4	19	8	27

SES = Senior Executive Service; EL = Executive Level; APS = Australian Public Service

Table 7: Actual Professional Services Review Australian Public Service staff numbers as at 30 June 2010–11 and 2011-12

	2010-11	2011-12
FTE 30 June	27	23.77
Average staffing level	24	25.98

FTE = full time equivalent

Eleven per cent of PSR staff members did not speak English as their first language and 29 per cent of PSR employee's parents did not speak English as their first language. PSR has no employees who have identified as Aboriginal or Torres Strait Islander. PSR has no employees with an identified disability.

During 2011-12, PSR recruited 12 employees (7 ongoing and 5 non ongoing). Sixteen employees exited PSR due to resignation, retirement, transfer or contract expiry.

Enterprise Agreement and Australian Workplace Agreements

At 30 June 2012, the pay and conditions of all APS and Executive Level employees were governed by the PSR Enterprise Agreement 2009–2012. The pay and conditions of PSR's Senior Executive Service (SES) Officer were governed by an SES employment policy and contract. Table 8 lists PSR salary ranges by classification.

Table 8: Professional Services Review salary ranges by classification at 1 July 2011

Classification	Minimum	Maximum
APS 3	\$51 796	\$57 288
APS 4	\$58 568	\$62 876
APS 5	\$63 727	\$67 403
APS 6	\$70 592	\$82 928
EL 1	\$87 971	\$98 368
EL 2	\$99 921	\$122 344

Note: Salary ranges are from PSR's Enterprise Agreement (2009–2012).
APS = Australian Public Service; EL = Executive Level

Performance pay

In accordance with the PSR Enterprise Agreement 2009–2012, PSR operated a milestone payment scheme in 2011–12. PSR made milestone payments available to non SES employees for achieving case time targets that improved on agreed targets. PSR paid \$11,266.09 to 18 employees.

Performance pay for eligible employees operated in conjunction with PSR's Performance Development Scheme. PSR paid \$21,533.18 in performance based payments to two employees in 2011–12.

Non salary benefits

PSR provided non salary benefits to attract and retain capable staff. Benefits included:

- allowance for mobile phones for relevant personnel
- home internet access to PSR's information technology network
- paid car parking for all employees
- flex time arrangements for EL 1 employees
- Qantas Club membership for employees who travel more than six times a year.

Holders of full time and part time public office

The Director of PSR is a holder of full time public office whose remuneration and allowances are set annually by the Remuneration Tribunal.

The Remuneration Tribunal sets the remuneration and allowances for appointed Panel members and Determining Authority members on an annual basis.

On 30 May 2012, the Minister for Health and Ageing signed an Instrument of Appointment as per sections 84 and 85 of the Act, for the establishment of a PSR Panel. Further instruments were signed on 14 July 2012 and 6 September 2012 bringing the total Panel to 91 medical and allied health practitioners.

Panel members and Deputy Directors who are appointed to specific PSR Committees are paid in accordance with the Remuneration Tribunal rates and allowances. The Panel members by location and gender are in Table 9.

Table 9: Professional Services Review Panel members by location and gender

Location	Male	Female	Total
NSW	17	10	27
ACT	2	4	6
VIC	14	6	20
QLD	10	6	16
TAS	4	2	6
NT	0	1	1
SA	8	4	12
WA	3	0	3
TOTAL	58	33	91

Training and development

PSR employees identify in consultation with their managers their training and development needs through individual development plans made under the Agency's Performance Development Scheme.

Training for employees was provided through various forms such as on the job training, mentoring by experienced employees and external courses for individuals with identified needs.

Employees developed their core skills by undertaking a variety of external courses and workshops which included leadership and management, Work Health and Safety, legal, risk and records management.

Additionally, all employees attended courses on work health and safety matters as mandatory training. PSR allocated approximately 2.19 per cent of its annual salary expenditure to non technical training and development during the year.

Work health and safety

PSR is committed to taking all reasonably practicable steps to protect the health, safety and welfare of its workers and visitors.

Significant work has gone into implementing the provisions of the *Work Health and Safety Act 2011*.

PSR undertook a variety of health and safety activities in 2011-12, which included:

- workstation assessments for all new employees as well as some existing employees following an audit, with immediate implementation of any corrective measures identified
- influenza vaccinations onsite for all employees
- employee assistance program access for all employees and their immediate families
- a refresher course for PSR's first aid officer as well as training for an additional first aid officer
- appointing and training for two new fire wardens and an additional workplace harassment contact officer.

In addition, PSR implemented a number of policies relating to working remotely, manual handling, reporting work place hazards and a use of products and equipment.

PSR's work health and safety representative is responsible for monitoring workplace hazards. The representative and Human Resources Manager conduct workplace inspections and report their findings to the Health and Safety Committee for action. Employees can also raise any health and safety issues with the representative.

National Disability Strategy

Since 1994, Australian Government departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the *Commonwealth Disability Strategy*. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available on: www.apsc.gov.au. From 2010-11, departments and agencies have no longer been required to report on these functions.

The *Commonwealth Disability Strategy* has been replaced by a new *National Disability Strategy* which sets out a ten year national policy framework for improving life for Australians with disability, their families and carers. A high level report to track progress for people with disability at a national level will be produced by the Standing Council on Community, Housing and Disability Services to the Council of Australian Governments and will be available on: www.fahcsia.gov.au. The *Social Inclusion Measurement and Reporting Strategy* agreed by the Australian Government in December 2009 will also include some reporting on disability matters in its regular *How Australia is Faring* report and, if appropriate, in strategic change indicators in agency Annual Reports. More detail on social inclusion matters can be found on: www.socialinclusion.gov.au.

Finance

PSR's departmental appropriation budget for 2011-12 was \$6,667,000 which includes an amount of \$804,000 for the Departmental Capital Budget.

The 2011-12 departmental expenses were \$5,787,585 (GST exclusive).

A resource summary of PSR's departmental expenses is provided in Appendix A. Further information on PSR's financial performance is available in the financial statements and accompanying notes of this annual report.

PSR's audited financial statements are at Appendix B.

Purchasing

In 2011-12, PSR sourced goods and services in accordance with the principles set out in the Commonwealth Procurement Guidelines (available on: www.finance.gov.au).

The Agency's purchase of goods and services reflected the mandatory guidelines focusing on:

- value for money
- encouraging competition
- efficient, effective and ethical use of Australian Government resources
- accountability and transparency
- compliance with other Australian Government policies.

PSR has outsourced all air travel bookings. As part of service delivery requirements with its provider, PSR required 'best fare of the day' when procuring air travel for all PSR employees and part time office holders.

During 2011-12 PSR undertook one major tender process to engage a transcription services provider.

Asset management

Management of physical assets is not a significant part of PSR's business. A departmental capital budget has been developed to ensure that there are sufficient funds to replace assets as required.

During 2011-12, PSR completed a refresh of its desktop computers and laptops. PSR donated the surplus computers and laptops through the Computer Technology for Schools (CTFS) project. The CTFS provides surplus Australian Government computers and other information communications technology equipment to schools in greatest need across Australia

PSR maintains an asset register and conducts an annual asset stocktake in accordance with accounting standards and better practice asset management.

Consultants

PSR engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions to assist in the Agency's decision making.

Prior to engaging consultants, the Agency takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations including the Commonwealth Procurement Guidelines.

During 2011-12, PSR entered into seven new, non reportable consultancy contracts under section 90 of the Act for a total value of \$14,432 to assist the performance of the functions, duties and powers of the Director. In addition, PSR incurred further expenditure of \$168,949 in relation to five new consultancy contracts for the provision of legal services.

PSR spent a cumulative amount of \$291,027 on consultancies during 2011-12 to assist the agency through professional, independent and expert advice.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website www.tenders.gov.au.

Australian National Audit Office access clauses

During 2011-12, PSR had no contracts over the value of \$100,000 that did not provide for the Auditor General to have access to the contractor's premises.

Exempt contracts

During 2011-12, PSR had no contracts over the value of \$10,000 that were exempted from being published in AusTender on the basis that to do so would disclose exempt matters under the *Freedom of Information Act 1982*.

Advertising and market research

During 2011-12, no advertising campaigns or market research were undertaken.

Grants programs

PSR does not administer any grants programs.

Ecologically sustainable development and environmental performance

Section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* requires that PSR report its contribution to ecologically sustainable development.

PSR's small size and specific role limit its opportunities to contribute to ecologically sustainable development. However, PSR endeavours to reduce its energy costs and encourages ecologically sustainable practices, such as paper recycling and greater reliance on electronic records in preference to paper.

Some of the specific activities undertaken during 2011-12 to assist the Agency's environmental performance and reduce electricity consumption include the removal of individual heaters, introduction of sensor light technology across the office and the installation of energy efficient light bulbs.

During 2011-12, PSR participated in Earth Hour.

Publications

PSR produced two publications in 2011-12:

- *Annual Report 2010-11*
- *Induction Guide for Panel Members and Deputy Directors.*

In response to recommendations 1, 2 and 3 of the final Senate Committee Report, PSR launched a new and revised website to ensure changes in important information, regulations and policies affecting key stakeholders are regularly updated.

The new website provides clear and accurate information on the PSR Scheme and Agency, which is easily accessible by practitioners and members of the public. Some of the new components include:

- a dedicated section for practitioners who have been referred to the PSR Scheme
- a section relating to the PSR Agency, which exists to provide administration and support services to the Director of PSR, PSR peer review Committees and the Determining Authority in performing their legislated functions under the Act
- a comprehensive history of the Scheme
- published and accessible appointment information including Instruments of Appointment for the Director, PSR Panel and Determining Authority.

Appendices

- Appendix 1 PSR's resource statement and outcome summary 2011-12
- Appendix 2 Financial statements
- Appendix 3 Freedom of information statement



Appendix 1

Professional Services Review's resource statement and outcome summary 2011-12

Table 10: Resource statement 2011-12

	Actual available appropriations for 2011-12 (\$'000) (a)	Payments made 2011-12 (\$'000) (b)	Balance remaining (\$'000) (a-b)
ORDINARY ANNUAL SERVICES¹			
Departmental appropriation			
Departmental appropriation ²	6 667	5 178	1 489
OTHER SERVICES			
Departmental non operating			
Equity injections			
Previous year's outputs			
Total other services			
Total resourcing and payments	6 667	5 178	1 489

All figures are GST exclusive.

- 1 Appropriation Bill (No 1) 2011-12
- 2 Includes an amount of \$0.804 million for the Departmental Capital Budget

Table 11: Resource summary, Outcome 1: A reduction of the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical Benefits schemes.

	Budget 2011-12 \$'000 (a)	Actual expenses 2011-12 \$'000 (b)	Variation \$'000 (a)-(b)
Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme.			
Departmental outputs	5 863	5 772	91
Average staffing level (number)	30	26	4



Appendix 2 Financial statements

Independent Auditor's Report

Statement by Chief Executive and Chief Financial Officer

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Cash Flow Statement

Schedule of Commitments

Schedule of Contingencies

Note 1: Summary of Significant Accounting Policies

Note 2: Events After the Reporting Period

Note 3: Expenses

Note 4: Income

Note 5: Financial Assets

Note 6: Non Financial Assets

Note 7: Payables

Note 8: Provisions

Note 9: Cash Flow Reconciliation

Note 10: Contingent Liabilities and Assets

Note 11: Senior Executive Remuneration

Note 12: Remuneration of Auditors

Note 13: Financial Instruments

Note 14: Financial Assets Reconciliation

Note 15: Appropriations

Note 16: Special Accounts

Note 17: Compensation and Debt Relief

Note 18: Reporting of Outcomes

Note 19: Net Cash Appropriation Arrangements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

I have audited the accompanying financial statements of the Professional Services Review for the year ended 30 June 2012, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Professional Services Review is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Professional Services Review's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Professional Services Review's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Professional Services Review, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

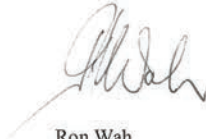
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Professional Services Review:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Professional Services Review's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
24 September 2012

Statement by Chief Executive and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed



Dr Bill Coote
Chief Executive

24 September 2012

Signed



Mark Lewington
Chief Financial Officer

24 September 2012

Statement of Comprehensive Income

for the period ended 30 June 2012

	Notes	2012 \$	2011 \$
EXPENSES			
Employee benefits	3A	3,111,678	3,154,345
Supplier expenses	3B	2,506,663	2,471,069
Depreciation and amortisation	3C	146,573	144,287
Finance costs	3D	4,180	3,704
Write-down and impairment of assets	3E	13,005	10,198
Losses from asset sales	3F	5,486	-
Total expenses		5,787,585	5,783,603
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	-	3,058
Other	4B	-	71,818
Total own-source revenue		-	74,876
Gains			
Other	4C	15,850	15,850
Total gains		15,850	15,850
Total own-source income		15,850	90,726
Net cost of services		5,771,735	5,692,877
Revenue from Government	4D	5,863,000	7,811,000
Surplus attributable to the Australian Government		91,265	2,118,123
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		120,191	-
Total other comprehensive income		120,191	-
Total comprehensive income attributable to the Australian Government		211,456	2,118,123

The above statement should be read in conjunction with the accompanying notes.

Balance Sheet

as at 30 June 2012

	Notes	2012 \$	2011 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	79,824	242,140
Trade and other receivables	5B	5,575,570	3,822,575
Total financial assets		5,655,394	4,064,715
Non-Financial Assets			
Land and buildings	6A,C	392,549	291,143
Property, plant and equipment	6B,C	157,225	172,552
Intangibles	6D,E	35,002	55,902
Other	6F	47,588	49,564
Total non-financial assets		632,364	569,161
Total assets		6,287,758	4,633,876
LIABILITIES			
Payables			
Suppliers	7A	838,376	232,202
Other payables	7B	95,553	121,474
Total payables		933,929	353,676
Provisions			
Employee provisions	8A	588,154	530,021
Other provisions	8B	82,000	81,960
Total provisions		670,154	611,981
Total liabilities		1,604,083	965,657
Net assets		4,683,675	3,668,219
EQUITY			
Parent Entity Interest			
Contributed equity		1,453,000	649,000
Reserves		477,671	357,480
Retained surplus		2,753,004	2,661,739
Total parent entity interest		4,683,675	3,668,219
Total equity		4,683,675	3,668,219

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the period ended 30 June 2012

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	2,661,739	543,616	357,480	357,480	649,000	-	3,668,219	901,096
Adjusted opening balance	2,661,739	543,616	357,480	357,480	649,000	-	3,668,219	901,096
Comprehensive income								
Other comprehensive income	-	-	120,191	-	-	-	120,191	-
Surplus (Deficit) for the period	91,265	2,118,123					91,265	2,118,123
Total comprehensive income	91,265	2,118,123	120,191	-	-	-	211,456	2,118,123
Transactions with owners								
Contributions by owners								
Departmental capital budget	-	-	-	-	804,000	649,000	804,000	649,000
Sub-total transactions with owners	-	-	-	-	804,000	649,000	804,000	649,000
Closing balance as at 30 June	2,753,004	2,661,739	477,671	357,480	1,453,000	649,000	4,683,675	3,668,219
Less: non-controlling interests*	-	-	-	-	-	-	-	-
Closing balance attributable to the Australian Government	2,753,004	2,661,739	477,671	357,480	1,453,000	649,000	4,683,675	3,668,219

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the period ended 30 June 2012

	Notes	2012 \$	2011 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		4,889,144	5,523,900
Sales of Goods and rendering of services		49,488	57,054
GST received		203,038	286,209
Other		-	-
Total cash received		5,141,670	5,867,163
Cash used			
Employees		3,040,487	3,176,065
Suppliers		2,137,880	3,008,091
Total cash used		5,178,367	6,184,156
Net cash from (used by) operating activities	9	(36,697)	(316,993)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		96	-
Total cash received		96	-
Cash used			
Purchase of property, plant and equipment		121,419	3,998
Purchase of Intangibles		4,296	9,537
Total cash used		125,715	13,535
Net cash used by investing activities		(125,619)	(13,535)
Net increase (decrease) in cash held			
		(162,316)	(330,528)
Cash and cash equivalents at the beginning of the reporting period		242,140	572,668
Cash and cash equivalents at the end of the reporting period	5A	79,824	242,140

The above statement should be read in conjunction with the accompanying notes.

Schedule of Commitments

as at 30 June 2012

	2012	2011
	\$	\$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	(279,421)	(288,932)
Total commitments receivable	(279,421)	(288,932)
Commitments payable		
Capital commitments		
Capital commitments ¹	-	21,739
Total capital commitments	-	21,739
Other commitments		
Operating leases ²	1,794,288	2,229,599
Other ³	1,279,337	926,919
Total other commitments	3,073,625	3,156,518
Net commitments by type	2,794,204	2,889,325
BY MATURITY		
Commitments receivable		
One year or less	(118,380)	(110,094)
From one to five years	(158,242)	(138,623)
Over five years	(2,799)	(40,215)
Total commitments receivable	(279,421)	(288,932)
Commitments payable		
Capital commitments		
One year or less	-	21,739
Total capital commitments	-	21,739
Operating lease commitments		
One year or less	336,341	325,999
From one to five years	1,427,159	1,461,236
Over five years	30,788	442,364
Total operating lease commitments	1,794,288	2,229,599
Other commitments		
One year or less	965,837	863,301
From one to five years	313,500	63,618
Total other commitments	1,279,337	926,919
Net commitments by maturity	2,794,204	2,889,325

Note: Commitments are GST inclusive where relevant.

1. Capital commitments represent leasehold improvements.
2. Operating leases consist of the lease of premises and car parking at the Canberra International Airport from Canberra International Airport Pty Ltd. A new 8 year lease was signed in July 2009.
3. Other commitments represent provision of goods and services expenditure committed prior to 30 June 2012.

This schedule should be read in conjunction with the accompanying notes.

Schedule of Contingencies

as at 30 June 2012

	2012	2011
	\$	\$
Contingent assets		
Claims for damages or costs ¹	-	-
Total contingent assets	<u>-</u>	<u>-</u>
Contingent liabilities		
Claims for damages or costs ¹	-	-
Total contingent liabilities	<u>-</u>	<u>-</u>
Net contingent assets (liabilities)	<u>-</u>	<u>-</u>

- 1 PSR has legal proceedings which may involve claims for costs. The outcomes will not be known until the completion of these proceedings, refer to Note 10.

The above schedule should be read in conjunction with the accompanying notes.

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Professional Services Review

Professional Services Review (PSR) is an Australian Government controlled entity. The objective of PSR is to investigate suspected cases of inappropriate practice by health practitioners on request from Department of Human Services.

PSR has only one outcome:

Outcome 1: A reduction of the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical Benefits Schemes.

PSR activities contributing toward these outcomes are classified as Departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Agency in its own right.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 49 of the Financial Management and Accountability Act 1997.

The financial statements have been prepared in accordance with:

- a. Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b. Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Certain comparative amounts have been reclassified or adjusted to comply with current year's presentation. There are minor changes to the departmental Cash Flow Statement, Note 7A, Note 8B, Note 9, Note 13 and Note 15.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, PSR has not made any accounting judgements that have a significant impact on the amounts recorded in the financial statements.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

During the 2011-12 financial year, accounting standards and interpretations that were issued prior to the signing of the statements by the Chief Executive and the Chief Financial Officer and that are applicable to the current reporting period did not have a material financial impact, and are not expected to have a future financial impact on the Agency.

Future Australian Accounting Standard Requirements

During the 2011-12 financial year, accounting standards and interpretations were issued or amended by the Australian Accounting Standards Board which are effective for future reporting periods. However, none of these standards or interpretations will financially impact on the Agency.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a. the risks and rewards of ownership have been transferred to the buyer;
- b. the entity retains no managerial involvement or effective control over the goods;
- c. the revenue and transaction costs incurred can be reliably measured; and
- d. it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a. the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b. the probable economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Revenue from Government

Amounts appropriated for departmental appropriations for 2011-12 (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Parental Leave Payments Scheme (For-profit entities only)

Amounts received under the Parental Leave Payments Scheme by the entity not yet paid to employees were presented gross as cash and a liability (payable). The total amount received under this scheme was \$0 (2011: \$0).

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.7 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend. There were no distributions to owners in 2011-12.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leaves is non-vesting and the average sick leave taken in future years by employees of the entity is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees as at 30 June 2012. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The Agency's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

The Agency makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Agency accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a. cash on hand;
- b. demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value;
- c. cash held by outsiders; and
- d. cash in special accounts.

1.12 Financial Assets

The Agency classifies its financial assets in the following categories:

- a. financial assets at fair value through profit or loss;
- b. held-to-maturity investments;
- c. available-for-sale financial assets; and
- d. loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.13 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.14 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability

or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.15 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 Financial Instruments: Recognition and Measurement. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

1.16 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.17 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for individual purchases costing less than \$1,000, which are expensed in the year of acquisition.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by PSR where there exists an obligation to restore the property to its original condition. These costs are included in the value of PSR's leasehold improvements with a corresponding provision for the 'makegood' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measurement
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Agency using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2012	2011
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 25 years	3 to 25 years

Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.18 Intangibles

The Agency's intangibles comprise of purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Agency's software are 5 to 10 years (2010-11: 5 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2012.

1.19 Taxation / Competitive Neutrality

The Agency is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a. where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b. for receivables and payables.



Note 2: Events After the Reporting Period

No events occurred after the balance date that would alter or influence PSR's financial statements and notes.

Note 3: Expenses

	2012	2011
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	2,339,362	2,270,443
Superannuation:		
Defined contribution plans	188,047	164,348
Defined benefit plans	170,744	204,316
Leave and other entitlements	413,525	435,801
Separation and redundancies	-	79,437
Total employee benefits	3,111,678	3,154,345
Note 3B: Suppliers		
Goods and services		
Legal Expenses	1,092,417	790,987
Case related fees	64,304	145,653
Other case related expenses	88,073	215,738
Consultant fees	42,662	26,453
Contractors expenses	189,714	467,061
Other expenses	640,127	533,975
Total goods and services	2,117,297	2,179,867
Goods and services are made up of:		
Rendering of services – related entities	1,518,522	155,102
Rendering of services – external parties	598,775	2,024,765
Total goods and services	2,117,297	2,179,867
Other supplier expenses		
Workers compensation expenses	102,352	21,387
Operating lease rentals – external parties:		
Minimum lease payments	287,014	269,815
Total other supplier expenses	389,366	291,202
Total supplier expenses	2,506,663	2,471,069
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	70,426	68,714
Buildings	52,716	48,324
Total depreciation	123,142	117,038

	2012	2011
	\$	\$
Amortisation:		
Intangibles	23,431	27,249
Total amortisation	23,431	27,249
Total depreciation and amortisation	146,573	144,287

Note 3D: Finance Costs

Unwinding of discount	4,180	3,704
Total finance costs	4,180	3,704

Note 3E: Write-Down and Impairment of Assets

Asset write-downs and impairments from:

Impairment on financial instruments	-	7,766
Impairment of property, plant and equipment	-	525
Revaluation decrement - property, plant and equipment	11,630	-
Impairment on intangible assets	1,375	1,907
Total write-down and impairment of assets	13,005	10,198

Note 3F: Losses from Asset Sales

Property, plant and equipment:

Proceeds from sale	96	-
Carrying value of assets sold	5,582	-
Total losses from asset sales	5,486	-

Note 4: Income

	2012	2011
OWN-SOURCE REVENUE	\$	\$
Note 4A: Sale of Goods and Rendering of Services		
Provision of goods - external parties	-	-
Rendering of services - related entities	-	3,058
Total sale of goods and rendering of services	-	3,058
Note 4B: Other Revenue		
Recovery of court costs	-	71,818
Total other revenue	-	71,818
GAINS		
Note 4C: Other Gains		
Resources received free of charge	15,850	15,850
Total other gains	15,850	15,850
REVENUE FROM GOVERNMENT		
Note 4D: Revenue from Government		
Appropriations:		
Departmental appropriation	5,863,000	7,811,000
Total revenue from Government	5,863,000	7,811,000

Note 5: Financial Assets

	2012	2011
	\$	\$
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	79,824	242,140
Total cash and cash equivalents	79,824	242,140
Note 5B: Trade and Other Receivables		
Good and Services:		
Goods and services - related entities	11,865	-
Goods and services - external parties	62,114	77,158
Total receivables for goods and services	73,979	77,158
Appropriations receivable:		
For existing programs	5,513,956	3,736,100
Total appropriations receivable	5,513,956	3,736,100
Other receivables:		
GST receivable from the Australian Taxation Office	27,386	18,593
Other	12,670	44,675
Total other receivables	40,056	63,268
Total trade and other receivables (gross)	5,627,991	3,876,526
Less impairment allowance account:		
Goods and services	(52,421)	(53,951)
Total impairment allowance account	(52,421)	(53,951)
Total trade and other receivables (net)	5,575,570	3,822,575
Receivables are expected to be recovered in:		
No more than 12 months	5,575,570	3,822,575
Total trade and other receivables (net)	5,575,570	3,822,575
Receivables are aged as follows:		
Not overdue	5,555,398	3,799,368
Overdue by:		
0 to 30 days	-	1,137
31 to 60 days	10,479	-
More than 90 days	62,114	76,021
Total receivables (gross)	5,627,991	3,876,526
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	52,421	53,951
Total impairment allowance account	52,421	53,951

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2012

	Goods and services	Other receivables	Total
	\$	\$	\$
Opening balance	53,951	-	53,951
Amounts reversed	(1,530)	-	(1,530)
Closing balance	52,421	-	52,421

Movements in relation to 2011

	Goods and services	Other receivables	Total
	\$	\$	\$
Opening balance	46,185	-	46,185
Amounts written off	7,766	-	7,766
Closing balance	53,951	-	53,951

Note 6: Non-Financial Assets

	2012	2011
	\$	\$
Note 6A: Land and Buildings		
Leasehold improvements:		
Fair value	394,442	387,000
Accumulated depreciation	(1,893)	(95,857)
Total leasehold improvements	392,549	291,143
Total land and buildings	392,549	291,143

Leasehold improvements were subject to revaluation. The carrying amount of \$392,549 (2011: \$291,143) was included in the valuation figures above.

No indicators of impairment were found for land and buildings.

No land or buildings are expected to be sold or disposed of within the next 12 months.

Note 6B: Property, Plant and Equipment

Other property, plant and equipment:

Fair value	176,376	318,751
Accumulated depreciation	(19,151)	(146,199)
Other property, plant and equipment	157,225	172,552
Total property, plant and equipment	157,225	172,552

Property, plant and equipment were subject to revaluation. The carrying amount of \$157,225 (2011: \$172,552) was included in the valuation figures above.

No indicators of impairment were found for property, plant and equipment.

PSR will be donating desktops and laptops to a school under the Australian Government Computer Technologies for Schools Project within the next 12 months. At 30 June 2012, the total carrying value of these assets were reported at \$900.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. During the course of the year, the Australian Valuation Office revalued the Agency's assets as at 30 June 2012. Assets on hand were revalued at the reporting date whilst additions subsequently purchased were excluded from the revaluation.

Revaluation increments include \$101,257 for leasehold improvements (2011: \$0) and \$14,795 for computer and office equipment (2011: \$0). Revaluation increments were credited to the asset revaluation surplus and included in the equity section of the balance sheet.

A revaluation decrement of \$11,630 for furniture and fittings was expensed (2011: \$0).

Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2011-12)

	Buildings \$	Total land and buildings \$	Other property, plant & equipment \$	Total \$
As at 1 July 2011				
Gross book value	387,000	387,000	318,751	705,751
Accumulated depreciation and impairment	(95,857)	(95,857)	(146,199)	(242,056)
Net book value 1 July 2011	291,143	291,143	172,552	463,695
Additions*				
By purchase - cash additions	52,865	52,865	57,516	110,381
Revaluations recognised in other comprehensive income	101,257	101,257	14,795	116,052
Depreciation expense	(52,716)	(52,716)	(70,426)	(123,142)
Impairments recognised in the operating result	-	-	(11,630)	(11,630)
Disposals:				
Other	-	-	(5,582)	(5,582)
Net book value 30 June 2012	392,549	392,549	157,225	549,774
Net book value as of 30 June 2012 represented by:				
Gross book value	394,442	394,442	176,376	570,818
Accumulated depreciation and impairment	(1,893)	(1,893)	(19,151)	(21,044)
	392,549	392,549	157,225	549,774

Note 6C (Cont'd):**Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2010-11)**

	Buildings \$	Total land and buildings \$	Other property, plant & equipment \$	Total \$
As at 1 July 2010				
Gross book value	387,000	387,000	316,166	703,166
Accumulated depreciation and impairment	(47,533)	(47,533)	(78,011)	(125,544)
Net book value 1 July 2010	339,467	339,467	238,155	577,622
Additions				
By purchase - cash additions	-	-	3,635	3,635
Depreciation expense	(48,324)	(48,324)	(68,713)	(117,037)
Impairments recognised in the operating result	-	-	(525)	(525)
Net book value 30 June 2011	291,143	291,143	172,552	463,695
Net book value as of 30 June 2011 represented by:				
Gross book value	387,000	387,000	318,751	705,751
Accumulated depreciation and impairment	(95,857)	(95,857)	(146,199)	(242,056)
	291,143	291,143	172,552	463,695

	2012	2011
	\$	\$
Note 6D: Intangibles		
Computer software:		
Internally developed – in use	215,526	215,526
Purchased	183,815	202,045
Accumulated amortisation	(364,339)	(361,669)
Total computer software	35,002	55,902
Total intangibles	35,002	55,902

Intangible assets were assessed for impairment at 30 June 2012. An impairment loss of \$1,374 was expensed (2011: \$0). No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2011-12)

	Computer software internally developed	Computer software purchased	Total
	\$	\$	\$
As at 1 July 2011			
Gross book value	215,526	202,045	417,571
Accumulated amortisation and impairment	(195,116)	(166,553)	(361,669)
Net book value 1 July 2011	20,410	35,492	55,902
Additions			
By purchase	-	3,905	3,905
Impairments recognised in the operating result	-	(1,374)	(1,374)
Amortisation	(5,825)	(17,606)	(23,431)
Disposals:			
Other	-	-	-
Net book value 30 June 2012	14,585	20,417	35,002
Net book value as of 30 June 2012 represented by:			
Gross book value	215,526	183,815	399,341
Accumulated amortisation and impairment	(200,941)	(163,398)	(364,339)
	14,585	20,417	35,002

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2010-11)

	Computer software internally developed	Computer software purchased	Total
	\$	\$	\$
As at 1 July 2010			
Gross book value	206,856	259,732	466,588
Accumulated amortisation and impairment	(188,805)	(201,396)	(390,201)
Net book value 1 July 2010	18,051	58,336	76,387
Additions*			
By purchase	8,670	-	8,670
Impairments recognised in the operating result	-	(1,907)	(1,907)
Amortisation	(6,311)	(20,937)	(27,248)
Net book value 30 June 2011	20,410	35,492	55,902
Net book value as of 30 June 2011 represented by:			
Gross book value	215,526	202,045	417,571
Accumulated amortisation and impairment	(195,116)	(166,553)	(361,669)
	20,410	35,492	55,902

	2012	2011
	\$	\$
Note 6F: Other Non-Financial Assets		
Accrued Revenue	-	48,182
Prepayments	47,588	1,382
Total other non-financial assets	47,588	49,564
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	43,705	49,564
More than 12 months	3,883	-
Total other non-financial assets	47,588	49,564

No indicators of impairment were found for other non-financial assets.

Note 7: Payables

	2012	2011
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	809,028	209,266
Operating Lease Rentals	29,348	22,936
Total supplier payables	838,376	232,202

Supplier payables expected to be settled within 12 months:

Related entities	562,737	19,844
External parties	246,291	189,422
Total	809,028	209,266

Suppliers payables expected to be settled in greater than 12 months:

External parties	29,348	22,936
Total	29,348	22,936
Total supplier payables	838,376	232,202

Settlement is usually made within 30 days.

Note 7B: Other Payables

Salaries and wages	86,213	108,673
Superannuation	9,292	12,410
GST payable to ATO	48	391
FBT Payable	-	-
Total other payables	95,553	121,474

Total other payables are expected to be settled in:

No more than 12 months	95,553	121,474
Total other payables	95,553	121,474

Note 8: Provisions

	2012	2011
	\$	\$
Note 8A: Employee Provisions		
Leave	588,154	530,021
Total employee provisions	588,154	530,021

Employee provisions are expected to be settled in:

No more than 12 months	227,109	230,059
More than 12 months	361,045	299,962
Total employee provisions	588,154	530,021

Note 8B: Other Provisions

Provision for restoration obligations	82,000	81,960
Total other provisions	82,000	81,960

Other provisions are expected to be settled in:

No more than 12 months	-	-
More than 12 months	82,000	81,960
Total other provisions	82,000	81,960

	Provision for restoration	Total
	\$	\$
Carrying amount 1 July 2011	81,960	81,960
Additional provisions made	-	-
Amounts used	-	-
Amounts reversed	(4,140)	(4,140)
Unwinding of discount or change in discount rate	4,180	4,180
Closing balance 2012	82,000	82,000

PSR currently has an agreement for the leasing of premises which include provisions requiring PSR to restore the premises to its original condition at the conclusion of the lease. PSR has made a provision to reflect the present value of this obligation.

Note 9: Cash Flow Reconciliation

	2012	2011
	\$	\$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	79,824	242,140
Balance sheet	79,824	242,140
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(5,771,735)	(5,692,877)
Add revenue from Government	5,863,000	7,811,000
Adjustments for non-cash items		
Depreciation / amortisation	146,573	144,287
Net write down of non-financial assets	13,005	2,430
Loss on disposal of assets	5,486	-
Finance costs	4,140	-
Other gains	-	-
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(948,996)	(2,277,715)
(Increase) / decrease in other receivables	1,976	(27,026)
Increase / (decrease) in employee provisions	58,133	11,318
Increase / (decrease) in supplier payables	617,602	(259,048)
Increase / (decrease) in other payable	(25,921)	9,548
Increase / (decrease) in other provisions	40	(38,910)
Net cash from (used by) operating activities	<u>(36,697)</u>	<u>(316,993)</u>

Note 10: Contingent Liabilities and Assets

Quantifiable Contingencies

The Schedule of Contingencies reports contingent liabilities in 2012 at \$0 (2011: \$0).

Unquantifiable Contingencies

At 30 June 2012, PSR was involved in a number of litigation cases before the courts. PSR has been advised by its solicitors that it is not possible to quantify amounts relating to these cases. Therefore, in accordance with Accounting Standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the information usually required by the Standard is not disclosed on the grounds that it may seriously prejudice the outcomes of these cases.

Significant Remote Contingencies

At 30 June 2012 PSR did not have any remote contingencies.

Note 11: Senior Executive Remuneration

Note 11A: Senior Executive Remuneration Expenses for the Reporting Period

	2012	2011
	\$	\$
Short-term employee benefits:		
Salary	324,418	207,679
Annual leave accrued	18,921	(8,506)
Performance bonuses	13,862	-
Other	89,288	56,596
Total short-term employee benefits	446,489	255,769
Post-employment benefits:		
Superannuation	32,039	29,941
Total post-employment benefits	32,039	29,941
Other long-term benefits:		
Long-service leave	(28,388)	9,827
Total other long-term benefits	(28,388)	9,827
Total employment benefits	450,140	295,537

Notes:

- Note 11A is prepared on an accrual basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 11B).
- Note 11A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$150,000.

Note 11B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

Average annual reportable remuneration ¹	Senior Executives No.	2012				Total
		Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
less than \$150,000	1	61,094	3,404	8,195	-	72,693
\$210,000 to \$239,999	1	163,571	10,283	43,062	-	216,916
Total	2					

Average annual reportable remuneration ¹	2011					
	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
less than \$150,000	1	42,283	9,774	493	11,087	63,637
\$240,000 to \$269,999	1	207,679	29,941	53,673	-	291,292
Total	2					

Notes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - exempt foreign employment income.
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per individuals' payslips.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
- Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Note 11C: Other Highly Paid Staff

Average annual reportable remuneration ¹	2012					
	Staff No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
\$150,000 to \$179,999	1	133,533	20,790	1,483	-	155,806
\$180,000 to \$209,999	1	138,079	19,534	24,165	9,420	191,198
Total	2					

Average annual reportable remuneration ¹	2011					
	Staff No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
There were no staff employed by the PSR Agency who received a reportable remuneration of \$150,000 or more in 2011						
Total	-					

Notes:

1. This table reports staff:
 - a. who were employed by the entity during the reporting period;
 - b. whose reportable remuneration was \$150,000 or more for the financial period; and
 - c. were not required to be disclosed in Tables A, B or director disclosures.
 Each row is an averaged figure based on headcount for individuals in the band."
2. 'Reportable salary' includes the following:
 - a. gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b. reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - c. exempt foreign employment income."
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per individuals' payslips.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
6. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Note 12: Remuneration of Auditors

	2012	2011
	\$	\$
Financial statement audit services were provided free of charge to the entity.		
The fair value of the services provided was:		
Audit fees	15,850	15,850
	<u>15,850</u>	<u>15,850</u>

No other services were provided by the auditors of the financial statements.

Note 13: Financial Instruments

	2012	2011
	\$	\$
Note 13A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	79,824	242,140
Goods and services receivable	21,558	23,207
Total	101,382	265,347
Carrying amount of financial assets	101,382	265,347

Financial Liabilities

At amortised cost:

Payables - suppliers	838,376	232,202
Total	838,376	232,202

Note 13B: Fair Value of Financial Instruments

PSR does not carry any financial instruments at fair value.

Note 13C: Credit Risk

PSR is exposed to minimal credit risk as loans and receivables are cash and trade receivables.

The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total carrying amount of trade receivables 2012: \$21,558 (2011: \$23,207). PSR has assessed the risk of default on payment and has allocated \$52,421 in 2012 (2011: \$53,951) to an allowance for doubtful debts account.

PSR holds no collateral to mitigate against credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash and cash equivalents	79,824	242,140	-	-
Goods and services receivable	1,386	-	72,593	77,158
Total	81,210	242,140	72,593	77,158

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Goods and services receivable	-	10,479	-	9,693	20,172
Total	-	10,479	-	9,693	20,172

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Goods and services receivable	1,137	-	-	22,070	23,207
Total	1,137	-	-	22,070	23,207

Note 13D: Liquidity Risk

PSR's financial liabilities are limited to payables. The exposure to liquidity risk is based on the notion that the PSR will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to PSR (e.g. Advance to the Finance Minister) and internal policies and procedures that have been established to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2012

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Payables - suppliers	-	809,028	-	-	29,348	838,376
Total	-	809,028	-	-	29,348	838,376

Maturities for non-derivative financial liabilities 2011

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Payables - suppliers	-	209,266	-	-	22,936	232,202
Total	-	209,266	-	-	22,936	232,202

The entity has no derivative financial liabilities in both the current and prior year.

PSR is appropriated funding from the Australian Government. PSR manages its budgeted appropriations to ensure it has adequate funds to meet payments as they fall due. In addition, the Agency has policies in place to ensure timely payments are made when due and has no past experience of default.

Note 13E: Market Risk

PSR's financial instruments are of a nature that do not expose PSR to certain market risks.

PSR is not exposed to 'Currency risk' or 'Other price risk'.

PSR has no interest bearing items on the balance sheet.

Note 14: Financial Assets Reconciliation

		2012	2011
		\$	\$
Financial assets	Notes		
Total financial assets as per balance sheet		5,655,394	4,064,715
Less: non-financial instrument components:			
Appropriations receivable	5B	5,513,956	3,736,100
Other receivables	5B	40,056	63,268
Total non-financial instrument components		5,554,012	3,799,368
Total financial assets as per financial instruments note		101,382	265,347

Note 15: Appropriations

Table A: Annual Appropriations ('Recoverable GST exclusive')

	2012 Appropriations										Appropriation applied in 2012 (current and prior years) \$	Variance \$
	Appropriation Act			FMA Act				Total appropriation \$	Appropriation applied in 2012 (current and prior years) \$	Variance \$		
	Annual Appropriation \$	Appropriations reduced \$	AFM \$	Section 30 \$	Section 31 \$	Section 32 \$	Total appropriation \$					
DEPARTMENTAL												
Ordinary annual services	6,667,000	-	-	-	371,846	-	7,038,846	5,561,527	1,477,319			
Total departmental	6,667,000	-	-	-	371,846	-	7,038,846	5,561,527	1,477,319			

Notes:

- Appropriations reduced under Appropriation Acts (Nos. 1,385) 2011-12; sections 10, 11, and 12 and under Appropriation Acts (Nos. 2,4&6) 2011-12; sections 12, 13, and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2012, there was no reduction in departmental and non-operating departmental appropriations.
- There were no amounts advanced to the Finance Minister (AFM) during 2011-12 under Appropriation Acts (Nos. 1,385) 2011-12; section 13 and Appropriation Acts (Nos. 2,4&6) 2011-12; section 15.
- In 2011-12, there was no adjustment that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO DIV 101) but at law, the appropriations had not been amended before the end of the reporting period.
- Departmental Appropriations were under spent by \$1,477,319 and includes equity injections of \$804,000 from Appropriation Act (No.1) - Capital Budget. This variance was mainly attributable to the cancellation of committee proceedings due to the pending Federal Court action against the Professional Services Review and postponing the implementation of key ICT systems until 2012-13.

	2011 Appropriations							Appropriation applied in 2011 (current and prior years) \$	Variance \$
	Appropriation Act		FMA Act				Total appropriation \$		
	Annual Appropriation \$	Appropriations reduced \$	AFM \$	Section 30 \$	Section 31 \$	Section 32 \$			
DEPARTMENTAL									
Ordinary annual services	8,460,000				232,890		8,692,890	5,916,933	2,775,957
Total departmental	8,460,000	-	-	-	232,890	-	8,692,890	5,916,933	2,775,957

Notes:

- a. Appropriations reduced under Appropriation Acts (No.1,3,5) 2010-11; sections 10, 11, 12 and 15 and under Appropriation Acts (No.2,4,6) 2010-11; sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2011, there was no reduction in departmental and non-operating departmental appropriations.
- b. In 2010-11, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period.
- c. Departmental Appropriations were under spent by \$2,775,957 and includes equity injections of \$649,000 from Appropriation Act (No. 1) - Capital Budget. This variance was attributable to the cancellation of committee proceedings due to the pending Federal Court action against Professional Services Review and postponing the implementation of key ICT systems until 2011-12.

Table B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2012 Capital Budget Appropriations				Capital Budget Appropriations applied in 2012 (current and prior years)				
	Appropriation Act		FMA Act		Total Capital Budget Appropriations	Payments for non-financial assets ³	Payments for other purposes	Total payments	Variance
	Annual Capital Budget	Appropriations reduced ²	Section 32						
	\$	\$	\$	\$	\$	\$	\$	\$	
DEPARTMENTAL									
Ordinary annual services - Departmental Capital Budget ¹	804,000	-			804,000	124,062	-	124,062	679,938

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. There were no amounts advanced to the Finance Minister (AFM) during 2011-12 under Appropriation Acts (Nos. 1,3&5) 2011-12; section 13 and Appropriation Acts (Nos. 2,4&6) 2011-12; section 15.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

	2011 Capital Budget Appropriations				Capital Budget Appropriations applied in 2011 (current and prior years)		
	Appropriation Act		FMA Act	Total Capital Budget Appropriations	Payments for non-financial assets ³	Payments for other purposes	Total payments
	Annual Capital Budget	Appropriations reduced ²	Section 32				
	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL							
Ordinary annual services - Departmental Capital Budget ¹	649,000	-		649,000	-	-	649,000

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. There were no amounts advanced to the Finance Minister (AFM) during 2011-12 under Appropriation Acts (Nos. 1, 3&5) 2011-12; section 13 and Appropriation Acts (Nos. 2, 4&6) 2011-12; section 15.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Table C: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2012	2011
	\$	\$
DEPARTMENTAL		
Appropriation Act (No. 1) 2011-12	1,671,013	
Appropriation Act (No. 1) 2010-11	3,922,767	3,978,240
Total	5,593,780	3,978,240

Unspent departmental appropriation includes cash of \$79,824 (2011: \$242,140) and a departmental capital budget of \$679,938 (2011: \$649,000)

Note 16: Special Accounts

Other Trust Moneys Account (Special Public Money) - Departmental	2012	2011
	\$	\$
Balance brought forward from previous period	-	-
Increases:		
Appropriation credited to special account	-	-
Costs recovered	-	-
Other receipts	-	-
Total increases	-	-
Available for payments	-	-
Decreases:		
Departmental		
Payments made to suppliers	-	-
Payments made to employees	-	-
Total departmental decreases	-	-
Special Public Money		
Payments made to others	-	-
Total special public money decreases	-	-
Total decreases	-	-
Total balance carried to the next period	-	-

The Professional Services Review has an Other Trust Moneys Special Account. This account was established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). For the year ended 30 June 2012 and preceeding year the account had nil balances and there were no transactions debited or credited to it.

The Other Trust Moneys Special Account was abolished on 7 February 2012.

Note 17: Compensation and Debt Relief

	2012	2011
	\$	\$
Compensation and Debt Relief - Departmental		
No 'Act of Grace' expenses were incurred during the reporting period (2011: No payments made).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2011: None)	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2011: None)	-	-
No ex-gratia payments were provided for during the reporting period. (2011: None).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period. (2011: None).	-	-

Note 18: Reporting of Outcomes

Note 18A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Departmental				
Expenses	5,787,585	5,783,603	5,787,585	5,783,603
Own-source income	15,850	90,726	15,850	90,726
Net cost/(contribution) of outcome delivery	5,771,735	5,692,877	5,771,735	5,692,877

Note 18B: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcome

	Outcome 1		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Expenses				
Employees	3,111,678	3,154,345	3,111,678	3,154,345
Suppliers	2,506,663	2,471,069	2,506,663	2,471,069
Depreciation and Amortisation	146,573	144,287	146,573	144,287
Finance costs	4,180	3,704	4,180	3,704
Losses from sale of Assets	5,486	-	5,486	-
Other	13,005	10,198	13,005	10,198
Total	5,787,585	5,783,603	5,787,585	5,783,603
Income				
Income from government	5,863,000	7,811,000	5,863,000	7,811,000
Own-source income	-	74,876	-	74,876
Gains	15,850	15,850	15,850	15,850
Total	5,878,850	7,901,726	5,878,850	7,901,726
Assets				
Financial Assets	5,655,394	4,064,715	5,655,394	4,064,715
Non Financial Assets	632,364	569,161	632,364	569,161
Total	6,287,758	4,633,876	6,287,758	4,633,876
Liabilities				
Payables	933,929	353,676	933,929	353,676
Provisions	670,154	611,981	670,154	611,981
Total	1,604,083	965,657	1,604,083	965,657

1. Outcomes 1 is described in Note 1.1.

Note 19: Net Cash Appropriation Arrangements

	2012	2011
	\$	\$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations ¹	358,029	2,262,410
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(146,573)	(144,287)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	211,456	2,118,123

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

Appendix 3 Freedom of Information Statement

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

Information on the PSR Agency's IPS can be accessed on the PSR website: www.psr.gov.au

Contact officer

All freedom of information requests should be directed to:

The Freedom of Information Officer

Professional Services Review

PO Box 7152

Canberra Business Centre

ACT 2610



Glossary

the Act means the *Health Insurance Act 1973*.

AMA means the Australian Medical Association.

Case officer means the PSR staff member who coordinates the administration of Professional Services Review matters.

Committee means a Professional Services Review Committee comprising at least three practitioners appointed under section 93 of the Act.

Committee member means a member of a Committee, who must be a current Panel member.

Deputy Director means a Deputy Director of Professional Services Review appointed under section 85 of the Act who serves as the chair of the Committee.

Determining Authority means the independent statutory body established under the section 106Q of the Act.

Director means the Director of Professional Services Review appointed under section 83 of the Act.

Director's Review means the process undertaken by the Director under Division 3A of Part VAA of the Act.

DHS means the Department of Human Services who administer the Medicare program and the Pharmaceutical Benefits Scheme. The Department of Human Services refer matters to the Professional Services Review for investigation.

Department of Health and Ageing means the Australian Government department with portfolio responsibility for the Professional Services Review Scheme.

Draft Determination means the draft document containing what action is proposed to be taken in the case of a practitioner as required by section 106T of the Act.

Draft report means the preliminary findings of a Committee following a hearing as required by section 106KD of the Act.

Final Determination means the final document containing what action will be taken in the case of a practitioner as required by section 106TA of the Act.

Final report means the final findings of a Committee following assessment of further submissions by a practitioner following the draft report as required by section 106L of the Act.

Inappropriate practice is defined under section 82 of the Act as conduct in connection with rendering or initiating services that a Committee of the practitioner's peers could reasonably conclude was unacceptable to the general body of their profession.

Medicare means the Medicare program administered by the Department of Human Services.

Medicare Services means services provided by a practitioner which generated a Medicare Benefit.

Minister means the Minister for Health.

Negotiated Agreement means a written agreement made under section 92 of the Act.

Over-servicing means providing a patient with services in excess of the patient's actual medical need.

Panel means the Professional Services Review Panel established under subsection 84(1) of the Act, members of which are available for appointment to a Committee.

Panel member means a practitioner appointed under subsection 84(2) of the Act.

PBS means Pharmaceutical Benefits Scheme.

Peers means the members of the Professional Services Review Panel who are appointed to represent the general body of their profession.

Practitioner means a:

- medical practitioner
- dental practitioner
- optometrist
- midwife
- nurse practitioner
- chiropractor
- physiotherapist
- podiatrist
- osteopath.

PSR means Professional Services Review.

Ratify means to authorise or approve. This term is used when the Determining Authority is deciding if an agreement with the Director will come into effect.

Review period means a period of no more than two years prior to the date of the request for review from DHS as specified in the request to PSR.

Sanction means a penalty from a range of directions specified in section 106U of the Act.

List of Requirements

The following is a list of requirements for Australian Government annual reports, as approved by the Joint Committee of Public Accountants and Audit under Section 63 and 70 of the Public Service Act.

Part of Report	Description	Requirement	Page number
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	v
	Index	Mandatory	89
	Glossary	Mandatory	83-84
	Contact officer(s)	Mandatory	ii
	Internet home page address and Internet address for report	Mandatory	ii
Review by DPSR			
	Review by Agency Head	Mandatory	vi-ix
Departmental Overview			
	Role and functions	Mandatory	2-4
	Organisational structure	Mandatory	19-20
	Outcome and program structure	Mandatory	5-6
	Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	Not applicable
Report on Performance			
	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	6-12
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	12
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	Not applicable
	Narrative discussion and analysis of performance	Mandatory	6-12
	Trend information	Mandatory	6-12
	Factors, events or trends influencing departmental performance	Suggested	15-18
	Social inclusion outcomes	If applicable, mandatory	Not applicable
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	Not applicable
	Discussion and analysis of the department's financial performance	Mandatory	26
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	Not applicable
	Agency resource statement and summary resource tables by outcomes	Mandatory	31

Part of Report	Description	Requirement	Page number
Management and Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	ii & 21
	Statement of the main corporate governance practices in place	Mandatory	19-20
	Senior management committees and their roles	Suggested	20
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	15-18
	Judicial decisions and decisions of administrative tribunals	Mandatory	10-11
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	15
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	22-26
	Training and development undertaken and its impact	Suggested	25
	Statistics on staffing	Mandatory	23-25
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	23
	Performance pay	Mandatory	24
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	27
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	26
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	27
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	27
Exempt contracts	Contracts exempt from the AusTender	Mandatory	27
Financial Statements	Financial Statements	Mandatory	33-80

Part of Report	Description	Requirement	Page number
Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	25-26
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	28
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	28
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not applicable
	Grant programs	Mandatory	28
	Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms	Mandatory	26
	Information Publication Scheme statement	Mandatory	81-82
	Correction of material errors in previous annual report	If applicable, mandatory	Not applicable
	List of Requirements	Mandatory	85-87



Index

A

accountability see management and accountability

address and contact details, ii

FOI, 81

advertising and market research, 28

agency resource statement, 31

ANAO see Australian National Audit Office

appointments to Panel

- guidelines for, 6
- legal case in Federal Court, vii, 10–11
- new appointments, vii–viii

APS Values and Code of Conduct, 17, 22

asset management, 27

Audit Committee, 20

Auditor-General see Australian National Audit Office

audits

- independent auditor's report, 34–5
- internal arrangements, 21

AusTender, 27

Australian Medical Association, vii, viii, 5, 6, 11

Australian National Audit Office, 20, 27

B

bullying and harassment, 17

business continuity, 22

business plans see corporate governance and planning

business processes, viii–ix, 16

C

case studies, 6, 8, 10, 11, 12, 13

Comcare audit, 16

Comcover Benchmarking Survey, 22

Commonwealth Disability Strategy, 26

Commonwealth Fraud Control Guidelines, 21

Commonwealth Procurement Guidelines, 26

competitive tendering and contracting, 27

complaints handling, 17

consultants, 27

consultative processes

- PSR, 6, 9, 15
- staff, 17

contact details, ii

- FOI, 81

corporate governance and planning, 20

court decisions, vii, 10–11

D

Department of Health and Ageing, viii, 5, 6, 16

Department of Human Services, 1, 5

Deputy Directors, vii, 11, 24

Determining Authority, 3–4, 9

Director, 19

Director's introduction, vii–ix

disability reporting, 26

disaster preparedness, 22

diversity, 23

E

ecologically sustainable development, 28

enterprise agreement, 23–4

environmental performance, 28

ethical standards, 17, 22

Ethics Contact Officer Network, 22

Executive and Management Committee, 20, 21–2

exempt contracts, 27

external scrutiny, 15–17

F

Federal Court, vii, 10–11

financial management, 19, 20, 26

Financial Management and Accountability (FMA) Act 1997, 19, 21

financial statements, 33–80

resource statement, 31

fraud control, 21

freedom of information, 81

G

glossary, 83–4

governance, 20

grants, 28

guidelines for PSR Panel appointments, 6

H

harassment, 17

health and safety, 17, 25–6

Health and Safety Committee, 26

Health Insurance Act 1973, vii, 1

Health Insurance Amendment (Professional Services Review) Act 2012, vii, 1, 2, 15

High Court, vii, 11

holders of public office, 24

human resources management, 22–6

I

Information Publication Scheme, 81

information technology, 19, 27

internal audit, 21

J

judicial decisions, vii, 10–11

K

Kutlu v Director PSR, vii, 10–11

L

legislation, vii, 1

letter of transmittal, iii

Lindsay v Director of PSR and others, 11

M

management and accountability, 19–28

market research, 28

Medicare Benefits Schedule, ix

Medicare Participation Review Committees, 4, 9, 16

Minister for Health, 1, 19

N

National Disability Strategy, 26

negotiated agreements, vii, 8, 9, 10

non-salary benefits, 24

O

occupational health and safety, 17, 25–6

Office of the Australian Information Commissioner, 16–17

organisational structure, 19

outcome and program aims, 5

P

parliamentary committees, viii, 15

Performance Development Scheme, 22, 25

performance in 2011–12, 5–13

cases dismissed, 7

deliverables, 12–13

Determining Authority, 9

external review of actions, 10

finance, 26

judicial decisions, vii, 10–11

key performance indicators, 12, 13

negotiated agreements, vii, 8, 9, 10

new referrals from DHS, 6–7

outcome and program aims, 5

against Portfolio Budget Statements, 12–13

referrals to medical boards or other bodies, 10

re-referrals, 9

workload, 6–7

performance pay, 24

plans and planning, 20

Portfolio Budget Statements, 12–13

portfolio membership, 1

- PricewaterhouseCoopers review of PSR Agency, viii, 16
 - procurement, 26–7
 - professional organisations, 5–6
 - Professional Services Review Agency
 - committees, 20, 26
 - corporate governance and planning, 20
 - Director, 19
 - ethical standards, 17, 22
 - legal cases, vii, 10–11
 - performance see performance in 2011–12
 - reviews of, viii, 16–17
 - roles and functions, 5
 - structure and organisation, 19
 - Professional Services Review Scheme
 - Advisory Committee, 6
 - amendments and coverage, vii, 15–16
 - Deputy Directors, vii, 11, 24
 - Determining Authority, 3–4
 - legislative basis, 1, 15–16
 - Panel, vii–viii, 9, 24–5
 - Panel case in Federal Court, vii, 10–11
 - performance see performance in 2011–12
 - purpose, 1, 5
 - review process, 1–4
 - reviews and inquiries into PSR, viii, 16–17
 - professions covered by Scheme, 2
 - professions represented on Panel, vii–viii, 1–2, 9
 - Public Service Act 1999*, 19, 22
 - publications, 28
 - purchasing, 26–7
- R**
 - records management, 16
 - remuneration
 - PSR Panel members, 24
 - staff, 23–4
 - review process see *under* Professional Services Review (PSR) Scheme
 - reviews and evaluations, viii, 16–17
 - risk management, 21–2
 - roles and functions, 5
- S**
 - Senate Community Affairs References Committee Inquiry, viii, 15
 - senior executive, 19
 - senior executive service (SES) remuneration, 23
 - senior management committees, 20
 - staffing statistics, 19, 23
 - stakeholders, 5–6
 - strategic planning framework, 20
 - structure and organisation, 19
- T**
 - tendering, 27
 - terminology (glossary), 83–4
 - training and development, 25
 - turnover of staff, 23
- W**
 - website, 28
 - work health and safety, 17, 25–6
 - workplace bullying and harassment, 17
 - workplace diversity, 23

