



Australian Government
Professional Services Review

Professional Services Review
ANNUAL REPORT
2012–13

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Professional Services Review
ANNUAL REPORT
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LETTER OF TRANSMITTAL



Australian Government
Professional Services Review

The Hon. Peter Dutton MP
Minister for Health and Minister for Sport
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 2013.

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

A handwritten signature in black ink, appearing to read 'Dr Bill Coote'.

Dr Bill Coote
Director
Professional Services Review
October 2013

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To find out more about the PSR Scheme visit: www.psr.gov.au
To provide feedback email: feedback@psr.gov.au

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DIRECTOR'S INTRODUCTION – DR BILL COOTE, DIRECTOR

The Professional Services Review (PSR) Agency's Annual Report for 2012–13 reflects a year of consolidation and re-building of the PSR Scheme. After significant disruptions in 2010–11 and 2011–12 the Agency has fully resumed its role of supporting the integrity of the Medicare and Pharmaceutical Benefits arrangements.

In late 2010 the Agency's peer review activity ceased. A July 2011 decision of the full bench of the Federal Court in *Kutlu v Director PSR* confirmed that appointments of certain PSR Deputy Directors and Panel members were invalid.

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 legislate to preserve the integrity of the PSR scheme. Subsequently the *Health Insurance Amendment (PSR) Act 2012*, passed in June 2012, validated all previous appointments made under the PSR Scheme and validated past PSR Committee decisions.

The 2012 Act also introduced amendments recommended by a 2007 review of the PSR Scheme. These changes were incorporated into PSR's processes during 2012–13 and include:

- Removal of PSR referrals to the Medicare Participation Review Committee and consequent increased sanctions available to the Director and the Determining Authority in respect of practitioners found to have engaged in inappropriate practice on two or more occasions.
- Clarification that all concerns regarding a prescribed pattern of services must be referred to the Director by Medicare (Department of Human Services).
- Extending the PSR Scheme to cover all health professionals eligible to generate claims under Medicare and the Pharmaceutical Benefits Scheme.

SENATE INQUIRY INTO THE PSR SCHEME

On 6 July 2011 the Senate requested its Community Affairs References Committee to review the PSR Scheme. The Inquiry provided an opportunity for practitioners and organisations to raise issues or concerns with the structure and administration of the Scheme. The Committee reported in October 2011.

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 clinical practice, and continuing 'sub-specialisation'.


The report's recommendations were accepted by the Government. During 2012–13 the Agency has continued to respond to those recommendations within its responsibility including facilitating access to clear and detailed information about the PSR Scheme and its processes, and working with stakeholders on guidelines and transparent communications.

PSR PANEL

The underpinning principle of the PSR Scheme is peer review. PSR Committees, comprising members drawn for the PSR Panel, consider whether a practitioner has engaged in "inappropriate practice".

In 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.

In March 2013, 12 further dentists were appointed to the PSR Panel. This was in response to referral of several dentists to PSR by Medicare (Department of Human Services).



Professional organisations, including the Australian Medical Association and the Australian Dental Association, demonstrated their continued confidence in PSR's peer review processes by supporting these appointment processes.

The majority of the members of the former (disallowed) PSR Panel sought re-appointment to the Panel. This strong professional support for the Scheme allowed PSR to call upon practitioners experienced in PSR processes when PSR peer review committee work resumed during 2012–2013.

DETERMINING AUTHORITY

The PSR Determining Authority considers and, if thought appropriate, ratifies Section 92 agreements between the Director PSR and practitioners referred to PSR by Medicare (Department of Human Services). The Determining Authority also determines the sanctions to apply when a PSR Committee has decided that a practitioner has engaged in inappropriate practice as defined in the Act.

Existing appointments to the PSR Determining Authority (DA) concluded on 21 May 2013. The Minister subsequently appointed a new Determining Authority. Dr Leon Shapero from Melbourne has been appointed Chair, Dr Bill Meagher from Young in NSW has been re-appointed as the Medical Practitioner member, Mr Robert Lees from Brisbane was re-appointed as the Optometrist member and Ms Helen Milne from Canberra has been appointed as the 'non practitioner' member.

This change to the DA marks the end of the long involvement in the PSR scheme of the former DA Chair, Dr Nick Radford, a physician from Melbourne, who has been closely involved with PSR since its creation in 1994, first as a Deputy Director and then as DA Chair following the incorporation of the DA into the PSR process in 1999.

PSR EDUCATION EVENTS

Professional decisions made by PSR Committees are not open to challenge. However, since the inception of the PSR Scheme in 1994 many PSR decisions have been challenged in the Courts on procedural grounds. PSR devotes considerable resources to ensuring its committee members are educated in administrative law principles, in particular, the need to avoid bias or perceptions of bias and to ensure all submissions from practitioners appearing before committees are properly considered.

A series of PSR educational events for Panel members were held during 2012–13:

- All Panel members attended an educational session in Sydney on 30 June 2012.
- A briefing session for the new Determining Authority was in Canberra on 12 June 2013.
- Dentist members met for induction training in Sydney on Friday and Saturday, 14 and 15 June 2013.
- Deputy Directors will be meeting in Canberra on Friday evening and Saturday, 19 and 20 July 2013.

THE FUTURE

At the core of Medicare is the Health Insurance Act definition of a 'clinically relevant service' as "a service rendered by a medical practitioner or dental practitioner or an optometrist that is generally accepted in the medical, dental or optometric profession (as the case may be) as being necessary for the appropriate treatment of the patient to whom it is rendered."

That part of the Health Insurance Act which establishes the PSR Scheme states "a practitioner engages in inappropriate practice if the practitioner's conduct in connection with the rendering of services" is such that a committee of peers finds "the conduct would be unacceptable" to the general body of the practitioner's peers.

It is difficult to foresee circumstances in which there will be no need for a process, such as the PSR process, to assess concerns regarding practitioners whose pattern of Medicare and/or PBS claims leads Medicare (Department of Human Services) to conclude that detailed analysis and examination is required. Clinicians are now supported in their work by myriad clinical guidelines and complex IT systems. However, clinicians retain and exercise wide autonomy in how they utilise and request health services; as well, the circumstances surrounding clinical encounters with patients vary greatly.

The challenge of assessing the appropriateness of care is not unique to Australia. The *New England Journal of Medicine* of (8 November 2012, p. 1175–77) discussed “Medicare’s enduring struggle to define ‘reasonable and necessary’ care”. Determinations of what is necessary care, the authors suggest, turn on the strength of the medical evidence as encapsulated, for example, in clinical guidelines. However, applying guidelines is “rarely straightforward, given the complexity of individual cases”. The issue, the authors conclude, “is not simply whether care is essential, but whether it is advisable given a delicate balance of benefits, risks and costs”. These comments highlight the challenge facing PSR Committees tasked with assessing whether specific services provided under Medicare were appropriate.

Australia’s (medical) Medicare arrangements were closely based on the Ontario Health Insurance Plan (OHIP). In Ontario unusual practice patterns have been managed administratively. A 2005 report, *Medical Audit Practice in Ontario*, by Justice Cory, found that process to be “inefficient and unfair” with “a debilitating, and in some cases, devastating effect on physicians and their families.” While initial investigative functions remain with OHIP, it is of interest that arrangements have recently moved somewhat towards a PSR-style system. Physicians can now seek a hearing before a Physician Payment Review Board (PPRB) peer committee established from the PPRB Panel. The PPRB, like Australia’s PSR, is established as an independent authority under the Ontario Health Insurance Act.

CONCLUSION

The Medicare Benefits Schedule becomes more complex as it evolves to reflect technical innovations in clinical science, and in 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 the professional organisations and of the individual practitioners who contribute as PSR Panel and committee members and as consultants to the Director.

The only matters PSR considers are matters referred to PSR by Medicare (Department of Human Services). Policy issues relevant to PSR and liaison with the Minister are managed in conjunction with the Department of Health and Ageing. PSR could not operate without the support and cooperation it receives from officers of these two departments.

I would like to formally acknowledge the professionalism and commitment of PSR’s Executive Officer Patricia O’Farrell and all PSR staff who served the Agency through 2012–13, a challenging period of re-building the Agency and refining its procedures following the major disruptions to the Agency in 2010–2012.



Dr Bill Coote
Director
Professional Services Review



1 AGENCY OVERVIEW

THE PSR SCHEME

The high quality and the integrity of Australia's health system is recognised internationally. Preventing inappropriate practice is crucial to maintaining this high quality and integrity. Preventing inappropriate practice assists in maintaining the confidence of the Australian public in the health practitioners operating within the system and in minimising financial loss to the community as a result of inappropriate practices.

ABOUT THE PSR

PSR operates as an independent agency within the Australian Government's Health and Ageing portfolio, and reports directly to the Minister for Health and Ageing. Together, the Director and staff form a statutory agency under the *Public Service Act 1999*.

To help guide our performance we have defined our own values and behaviours which are underpinned by the APS Values. Our values and behaviours of 'Fair, Transparent and Professional' address the unique aspects of our business and environment and guide us in performing our role.

OUR STAKEHOLDERS

During 2012–13, 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.

AGENCY AND SCHEME OBJECTIVES

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.*

Section 81 of the Act, sets out the medical and allied practitioners that are subject to review under Part VAA.

AGENCY OUTCOMES

Outcomes are the Government's intended results, benefits or consequences for the Australian community. The Government requires agencies such as the PSR to use outcomes as a basis for budgeting, measuring performance and reporting. Annual administered funding is appropriated on an outcomes basis.

Within the Federal Health and Ageing Portfolio, the PSR Agency is accountable for delivering one of 31 outcomes allocated to the Portfolio. The Outcome belonging to the PSR is:

PSR Outcome: *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 AGENCY DELIVERY OF OUTCOME

The PSR Scheme delivers on this Outcome by protecting the public from:

1. Inappropriate practice by ensuring that the Commonwealth funded services delivered by practitioners are clinically relevant.
2. 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.

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

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 all past Committee decisions (excluding the decisions involved in the five matters relating to the four practitioners involved in the Kutlu case). 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 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).

THE FUTURE

As the Medicare Benefits Schedule becomes more complex and with the expansion of the health professions whose services attract Medicare benefits PSR must maintain the organisational agility required to meet these future changes and challenges.

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 program aims to:

- protect against inappropriate health care practice
- maintain professional support for PSR.

PROTECTING AGAINST INAPPROPRIATE HEALTHCARE PRACTICE

During the 2012–13 financial year, PSR continued to investigate healthcare professionals, refer matters to Committees, progress Committees' hearings, 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 PSR

During 2012–13, the Director of PSR engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme. These stakeholders include:

- 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.

PROFESSIONAL SERVICES REVIEW AGENCY PERFORMANCE

The following outline of PSR's performance relates to all activities it undertook during 2012–13. This included work on 32 cases already on hand at the beginning of the year, as well as 45 cases received during 2012–13. As PSR receives referrals from DHS throughout the year, case data cannot be reconciled within a 12-month period.

NEW REFERRALS FROM THE DEPARTMENT OF HUMAN SERVICES (DHS)

During 2012–13, DHS sent 45 requests for review to PSR. This represents an increase of 50 per cent when compared with the requests for review received in 2011–12.

In 2012–13, PSR completed 44 cases. Of these, 16 were the subject of a decision by the PSR Director to take no further action, 20 were negotiated agreements that were ratified and became effective, seven final determinations became effective, and one matter before the Federal Court was completed. In addition, five cases resulted in no further action, having passed the 12 month deadline for Committee referral.

Table 1 lists PSR's case statistics from 2011–12 to 2012–13.

Table 1: PSR's case statistics 2011–12 to 2012–13

Action	2011–12	2012–13
Requests received from DHS	30	45
<ul style="list-style-type: none"> requests by DHS to review a practitioner with a previous effective determination for a second or subsequent time 	3	4
No further action	13	16
Requests withdrawn or lapsed	6	5
Referrals from the PSR Director to new PSR Committees	0 ^a	10
Committees in progress	0 ^b	8
Committee reports finalised	0	2
<ul style="list-style-type: none"> reports finding inappropriate practice 	0	2
<ul style="list-style-type: none"> reports finding no inappropriate practice 	0	0
Committee matters ceased	0	0
Referrals to medical boards/AHPRA	0	3
Referrals to Medicare Participation Review Committees	4	7
Referrals to other bodies	0	2
Referrals to DHS for suspected fraud	0	0
Negotiated agreements ratified and effective	19	20
Draft determinations made	0	2
Final determinations made	0	6
Final determinations effective	0	7
Cases on hand, at 30 June 2013	32 ^c	36

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 receives referrals from DHS throughout the year case 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 16 of the 44 cases completed in 2012–13. This represents 36 per cent of all matters completed in the year.

In these 16 cases, a decision was reached in an average of 146 days (compared to an average of 247 days in 2011–12).

The dismissed cases involved 16 general practitioners. The practitioners were from New South Wales, Queensland, South Australia and Victoria.

In five 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.

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 2012–13, 20 negotiated agreements were ratified and became effective. Outcomes of these negotiated agreements include (Table 2):

- repayment orders totalling \$1,090,272.63 in 19 cases
- reprimand in 14 cases
- four suspensions/disqualifications from access to the Medicare Benefits program or the PBS.


The practitioners concerned were general practitioners from the Australian Capital Territory, New South Wales, Queensland and Victoria.

Table 2: Negotiated agreements 2012–13

Repayment orders	\$1,090,272.63
Reprimands	14
Total suspensions	4
Full suspensions	0
Partial suspensions	4
Full and Partial suspensions	0

PSR PANEL

Under section 93 (1) of the Act, the Director may establish a Committee and refer to the Committee for investigation a person under review in order for the Committee to determine whether the person under review has engaged in inappropriate practice in providing the services specified in the referral from DHS.



Members of peer review committees are drawn from an established PSR panel. During 2011–12 PSR worked closely with the Minister, the Department of Health and Ageing, the AMA and relevant professional organisations to appoint a new PSR Panel. At the end of the 2011–12 financial year 67 medical practitioners had been appointed to the PSR Panel for a term of five years. In addition 25 of these medical practitioners were also appointed as Deputy Directors. During the 2012–2013 financial year further panel appointments were made to ensure that the Panel included members that are representative of other relevant health practitioner groups.

In July 2012 the Minister appointed a further 18 practitioners to the PSR Panel from the professions of optometry, osteopathy, physiotherapy, nurse practice, dentistry and chiropractics. Two of these practitioners were also appointed as Deputy Directors.

In September 2012 the Minister appointed six podiatrists to the PSR Panel. One of these podiatrists was also appointed as a Deputy Director.

In March 2013 the Minister appointed 12 dentists to the PSR Panel. Two of these dentists were also appointed as Deputy Directors.

The consultation and appointment processes were undertaken in compliance with Part VAA of the *Health Insurance Act 1973* and the Memorandum of Understanding between the Minister for Health and the AMA.

The PSR Panel consists of practitioners from a range of backgrounds and practice locations. Seventeen percent of the PSR Panel practise in inner regional areas, three percent practise in outer regional areas while a further two percent practise in remote areas. Women comprise thirty-five percent of the members of the PSR Panel.

PSR COMMITTEES

During the 2012–2013 financial year, the Director established ten PSR Committees and made referrals to each of these Committees. Of the ten practitioners referred to a PSR Committee, six were general practitioners, one was a psychiatrist, one was an optometrist and two were dentists.

Of the ten PSR Committees established, eight were still in progress at the end of the financial year. Two Committee hearings have been finalised and the final Committee reports have been sent to the Determining Authority. Both the finalised Committee hearings resulted in findings of inappropriate practice.

THE DETERMINING AUTHORITY

In 2012–13, the Determining Authority made two draft determinations and six final determinations following PSR Committee report findings of inappropriate practice (Table 3).

Draft determinations took an average of 826 days and the issuing of final determinations took an average of 897 days (Table 3). The delays in draft and final determinations are attributable to undertakings with practitioners by the Determining Authority not to proceed until the outcome of the legal challenge to panel member appointments was known. Following the *Health Insurance Amendment (Professional Services Review) Act 2012* which validated panel member appointments, in August 2012 the Determining Authority recommenced consideration of the PSR Committee cases.

During 2012–13, seven final determinations became effective (Table 3). The directions made by the Determining Authority were:

- Reprimand in all cases.
- Counselling in all cases.
- Full disqualification from Medicare in one case for three months.
- Partial disqualification from Medicare in all cases for between two months and 36 months.
- Repayment of Medicare benefits in all cases ranging from \$10,000 to \$149,602 (totalling \$477,164.22).

The Determining Authority took an average of 15 days (compared with 19 in 2011–12) against a legislated timeframe of one month to ratify 22 negotiated agreements (Table 3) with 20 negotiated agreements becoming effective (Table 1). The Determining Authority refused to ratify one negotiated agreement.

Table 3: Average number of days to complete matters before the PSR 2011–12 and 2012–3

	2011–12	2012–13
No further action	247	146
Negotiated agreements	232	250
Final committee reports	–	247
Ratification of negotiated agreements	19	15
Draft determinations ^a	–	897
Final determinations ^a	–	826

a. The delays in draft and final determinations are attributable to undertakings by the DA not to proceed until the outcome of legal challenges to panel member appointments was known. Following the *Health Insurance Amendment (Professional Services Review) Act 2012* which validated panel member appointments, in August 2012 the DA recommenced consideration of PSR Committee cases.

RE-REFERRALS

In 2012–13, DHS made four requests to PSR to review practitioners with an effective determination who had previously been referred to, and reviewed, by PSR. At 30 June 2013, two of these cases were still under review; one case was dismissed under section 91 of the Act and one entered into a section 92 agreement with the Director. 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.

Seven 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.

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 2012–13, the Director made three referrals of practitioners to the Australian Health Practitioner Regulation Agency (AHPRA) or other bodies.

EXTERNAL REVIEW OF ACTIONS

Practitioners involved in the PSR process can seek judicial review in the High Court, the Federal Court or the Federal Circuit Court.

One matter was commenced by a practitioner in the High Court in 2012–13. In that case the practitioner sought to challenge the validity of item 1 of Schedule 1 to the *Health Insurance Amendment (Professional Services Review) Act 2012*, which was enacted to validate retrospectively the appointment of Panel members. The High Court remitted the matter to be heard by the Federal Court. An interlocutory judgment was given in the Federal Court in relation to that matter together with a related matter that had been commenced in the Federal Court in 2010 by the same litigant. The Commonwealth subsequently sought, and was granted, leave to appeal to the Full Federal Court from that judgment. All these matters were discontinued on 18 June 2013.

No matters were commenced by practitioners in the Federal Court or the Federal Circuit Court during 2012–13. At the end of the year there was one matter that had been heard by the Federal Court in 2012–13 and was awaiting judgment. That matter had commenced in a previous year.

SUMMARY OF LEGAL CASES

The Court decisions during 2012–13 are summarised below.

FEDERAL COURT

Lee v Napier [2013] FCA 236

In this matter the Federal Court considered the meaning of the word ‘consult’ in the context of the statutory requirement that before appointing a medical practitioner to be a Panel member, the Minister must consult the Australian Medical Association (the AMA).

The Director, on behalf of the Minister, had written to the AMA seeking its views on the proposed appointment of a number of Panel members. After four months, no written response had been received in relation to the particular proposed appointments and the Minister proceeded to appoint the members. It was contended on behalf of Dr Lee that the requirement to consult included a requirement to receive a response from the AMA, and it was not merely a requirement to give a reasonable opportunity for the AMA to respond. Justice Katzmann held that the requirement to consult is a process, which includes the requirement that, “the AMA advises the Minister, unless the communication between them are such that the Minister may reasonably infer what that advice is. Only then may the Minister make the appointments.”

Consequently, but subject to the operation and validity of item 1 of Schedule 1 to the *Health Insurance Amendment (Professional Services Review) Act 2012* (which the Court intended to consider in a subsequent hearing), the Court held that the appointment of the Panel members had been invalid because the consultation had not concluded.

Commonwealth v Lee [2013] FCA 461

This was an application by the Commonwealth for leave to appeal from the judgment in *Lee v Napier* (see above). The Court granted leave to appeal, stating that there are some aspects of practicality that may support the Commonwealth’s position that the requirement to consult only required giving the AMA a reasonable opportunity to advise the Minister, in that if the provision were to be read as held in *Lee v Napier*, the AMA could effectively exercise “a form of veto which is a surprising outcome perhaps”. Justice Perram was of the opinion that there was “plainly a question as to whether that is correct” and it was a matter that warranted the consideration of the Full Court.

PERFORMANCE AGAINST PORTFOLIO BUDGET STATEMENT 2012–13

KEY PERFORMANCE INDICATOR

The quantitative key performance indicators specified for PSR in the *Portfolio Budget Statement 2012–13* was the percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient is identified and the total PSR actions upheld by the courts after appeal.

PSR achieved its target of 100 per cent on both accounts.

In 2012–13, PSR will continue to refer cases of practitioners who may pose a possible threat to life or health of a patient on to regulatory bodies for further action. This will enable PSR to strengthen the deterrent effect of the Scheme.

QUANTITATIVE DELIVERABLES

PSR continued to action referrals from DHS during 2012–13, completing 44 matters.

Table 4: PSR quantitative deliverables 2012–13

Quantitative Indicators & Deliverables	2012–13 Budget	2012–13 Actual
Protect against inappropriate health care practice		
Percentage of reviews by the Director of PSR finalised within 12 months	100%	100%
Number of Committees established	10	10
Total number of matters finalised ^a	30	44
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%	N/A

a. This figure includes section 91 no further actions, section 92 negotiated agreements and final determinations resulting from a Committee hearing. The figure excludes cases which have lapsed under section 94.

THE DIRECTOR'S SUMMARY

Medicare refers a wide range of issues to PSR. The following notes discuss some specific matters referred to PSR during the 2012–13 year. Many of the concerns considered by PSR consultants and PSR Committees during 2012–13 were similar to matters discussed in previous PSR annual reports.

The Medical Board of Australia document *Good Medical Practice: A Code of Conduct for Doctors in Australia* reminds doctors that they have “a responsibility to contribute to the effectiveness and efficiency of the health system” by the “wise use of health care resources”; doctors should ensure the services they provide are “necessary and likely to benefit the patient”. The Code also reminds doctors that they “are expected to reflect regularly on whether they are practicing effectively.”

In any year only a small number of the 100,000 or so medical and other practitioners whose services attract Medicare benefits are referred to PSR.

THE 80/20 RULE

Practitioners continue to be referred to PSR by Medicare because of very high levels of servicing.

The *Health Insurance Act 1973* provides that, unless there were exceptional circumstances on each of the relevant days, a prescribed pattern of services will constitute “inappropriate practice”. In 2012–13 the provision by a General Practitioner of 80 or more attendance services on 20 or more days in a year remained the only pattern of practice to be so prescribed.

Five general practitioners were referred to PSR by Medicare under the so-called ‘80/20 rule’ in 2012–13. Several of these practitioners, in their initial submissions to Medicare and PSR, claimed that they had not been warned that they were approaching the 80/20 trigger. Such a claim ignores the real point of the ‘80/20 rule’. This rule was developed in consultation with professional bodies including the RACGP and AMA: the considered opinion of professional peers is that it is not possible given the complexities of modern medicine to effectively see, assess and manage such large numbers of patients.

Other practitioners claimed they were unaware that the 80/20 provision encompassed all services in Category 1, Professional Attendances, of the Medicare Benefits Schedule (MBS). In reaching the 80/20 threshold, as well as standard consultation Items, services attracting Medicare benefits under the Chronic Disease Management Items and the GP Mental Health Treatment Items are also included.

An extreme example of an 80/20 referral during 2012–13 was in respect of a practitioner who claimed 90 or more professional attendances on each of 29 days including several days on which over 200 attendances were claimed and one day on which over 500 professional attendances were claimed. The practitioner assured PSR that each of these patients had been “eyeballed”. This practitioner was associated with a company offering workplace health and safety services including vaccinations. Most services were MBS Level A attendances. This practitioner entered into a Section 92 agreement with the Director.

Some of the general practitioners referred to PSR because of very high levels of patient attendances, often around 20,000 services per annum, are associated with large, extended-hours clinics. These practitioners often have a ‘services per patient’ ratio over the year of around 1.5, compared with a ratio of around 3.5–4.0 services per patient seen in the year for more ‘traditional’ general practitioners. That is, these practitioners are typically seeing patients just once in the year for one-off, acute episodes. These practitioners argue they are simply meeting the demand for services. There may be some validity to this view but whether this pattern of practice meets the RACGP general practice definition of ‘continuous, comprehensive whole person care’ is a policy issue beyond the remit of PSR.

DENTAL MATTERS

During 2012–13 Medicare referred to PSR several dentists in respect of dental services provided under the (now terminated) program titled Medical Dental Items for Patients with Chronic Conditions and Complex Care Needs. Under that program a general practitioner could refer a patient with a chronic medical condition to a dentist and Medicare rebates of up to \$4250 would then be available for dental treatment. Medicare had concerns in several cases that this Government scheme was subsidising a disproportionate amount of complex dental work, such as crowns and bridges, rather than more routine dental care. At the end of 2012–13 these practitioners remain under review by PSR.

CHRONIC DISEASE MANAGEMENT

As noted in previous PSR annual reports, services for which rebates have been paid under the MBS Chronic Disease Management Items lead to many referrals from Medicare to PSR. MBS Items are provided for preparation of a GP Management Plan (GPMP), to coordinate the Development of Team Care Arrangements (TCA) with other practitioners such as physiotherapists, dietician and podiatrists; services by these allied health practitioners can then attract Medicare benefits. MBS Items are also available for Review of a GPMP and/or a TCA.

These Items attract quite substantial Medicare rebates. At 1 July 2012, the MBS fee for a GPMP was \$138.75, for preparing a TCA \$109.95, and for review of a GPMP or TCA \$69.35. These MBS fees imply that in developing this MBS Items GP professional organisations and the Government anticipated they would, when used appropriately, require considerable time and professional input.

Advice provided to GPs makes clear that these Items were developed “to provide GPs with a structured way of managing a wide range of chronic medical conditions and to assist them to plan and coordinate the care of patients with disciplinary care needs”. This advice also makes clear that the “chronic disease planning process is not simply a mechanism to provide Medicare rebates for allied health services”.

For the period from 1 April 2012 until 31 March 2013 the median number of claims for all Vocationally Registered GPs for GPMPs (Item 721) was 32, for TCAs (Item 723) the median number of claims was 29 and for GPMP and/or TCA reviews (Item 732) the median number of claims was 22.

<http://www.medicareaustralia.gov.au/forms/percentile-charts/items-721-723-729-731-732-gp.pdf>

Many practitioners who claim for very high numbers of these Items are referred to PSR. For example, one practitioner in a busy practice provided around 16,000 services to over 3,000 patients in the year under review and these services included Item 721 on over 900 occasions, Item 723 on over 750 occasions and Item 732 on over 700 occasions. That is, Medicare data showed that almost one third of the patients seen in the year under review had a GPMP. A majority of the GPMPs provided by this practitioner were for relatively young patients.

From the clinical notes provided, it appeared the practitioner had not grasped the principles underpinning the Enhanced Primary Care program. One typical 'plan' recorded only the patient's conditions as multiple health problems – including dental problems – and under goals the only word entered was 'dental'.

Advice provided to GPs by Medicare is that chronic disease management plans should comprise a considered assessment of the patient's needs designed to manage multiple chronic illnesses, to engage allied health practitioners in documented team care or to engage the patient in management of their conditions.

Advice to PSR from GP consultants is that a practitioner seeing around 60 patients a day every day in a practice that does not take appointments would struggle to adequately meet the letter and especially the spirit of the Chronic Disease Management items, particularly if providing a number of such services every day.

Other uses of the Chronic Disease Management Items, which raised concerns, included practitioners populating plans with standard template entries available within practice software without customising the plan to reflect the needs of the particular patient. A simple example, noted on several occasions by PSR's GP consultants, occurs where patients for whom the summary notes indicate that the patient had never smoked are given GPMPs, which include advice on a range of strategies for giving up smoking.

Detailed requirements for properly and adequately undertaking GPMP, TCAs and Plan Reviews are provided to general practitioners in Paragraph A.37 of the MBS Book. As well, the Department of Health and Ageing provides a detailed document titled *Chronic Disease Management-Medicare Items-Questions and Answers* at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/mbsprimarycare-chronicdiseasemanagement-qanda>.

SKIN ITEMS


Since its establishment in 1994 PSR has regularly received referrals from Medicare in respect of practitioners who undertake a large amount of skin cancer work. This continued in 2012–13.

The MBS Items covering skin cancer work have become more complex over the years as professional groups and the Department of Health and Ageing have sought to create items that adequately reflect the work and expertise required to manage the wide range of skin lesions that present to doctors.

Several referrals to PSR in 2012–13 for issues associated with skin cancer treatments were in respect of practitioners who, after discussion with PSR, conceded that they had not read or properly understood these MBS Item descriptions.

One practitioner was referred to PSR for claiming of Items 45200 and Item 45206 which cover a single stage local flap undertaken in association with another procedure such as excision of a small skin cancer. This practitioner worked in a typical general practice, that is, a practice not concentrating on skin cancer work. However, their utilisation of these Items was at the top percentile when compared with other GPs. This practitioner conceded they had misinterpreted the MBS and had believed that closing a wound with a flap was appropriate in most cases even when small lesions had been excised from parts of the body where simple primary closure was adequate and achievable. Flaps were undertaken in circumstances where they were not really necessary, and the practitioner admitted inappropriate practice and entered into a Section 92 agreement with the Director.

Other practitioners focusing on skin treatments have more complicated explanations for the pattern of practice that lead Medicare to refer them to PSR.



One practitioner was referred for a range of issues associated with their practice of skin cancer medicine. One of the matters referred by Medicare was this practitioner's claiming of rebates under a 'self-referred' ultrasound Item (Item 55846) for assessment of a mass associated with the skin or subcutaneous structures.

This practitioner had acquired ultrasound equipment which they claimed assisted in ascertaining the most appropriate margin clearance when excising suspected BCCs. Expert advice provided to PSR was that this use of ultrasound had no place in Australian practice. This practitioner admitted inappropriate practice and entered into a Section 92 agreement.

PATHOLOGY

Concerns about the extent and range of ordering of pathology are included in many referrals to PSR from Medicare. Some of these referrals are in respect of practitioners who order tests at much higher rates than equivalent practitioners, taking into account the overall number of patients seen in a year and the nature of their practice and its patient profile. Some practitioners order a standard battery of pathology tests with nothing in the clinical notes to explain why the tests were ordered. Other practitioners referred to PSR had patterns of pathology ordering that were not explicable in terms of conventional medical practice including, for example, regular ordering of a range of tumour markers such as CA15.3, CA125 and CASA for, they stated, 'screening' for cancer (rather than for accepted indications associated with the assessment of progress of proven and treated malignancies).

CONCLUSION

The legislation that establishes the PSR Scheme defines the objects of the Scheme as protecting "patients and the community in general from the risks associated with inappropriate practice" and protecting "the Commonwealth from having to meet the cost of services provided as a result of inappropriate practice".

PSR liaises closely with Medicare (Department of Human Services) which administers Australia's medical insurance arrangements and with the Commonwealth Department of Health and Ageing which is responsible for developing and implementing policy that determines the content of the Medicare Benefits Schedule. Despite the efforts of all involved in MBS policy and administration there are practitioners who through ignorance or for other reasons misuse the Medicare scheme.

3 MANAGEMENT AND ACCOUNTABILITY

STRUCTURE AND ORGANISATION

The Director of PSR is an independent statutory officer appointed by the Minister for Health and Ageing under section 83 of the Act. PSR is 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 2012–13, 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.

CORPORATE GOVERNANCE AND BUSINESS PLANNING

Overall accountability for PSR rests with the Director, who has primary authority and legal responsibility for managing the Agency. In the 2012–2013 financial year PSR resumed committee hearings after a period of reduced regulatory activity. As a result of the increased workload PSR undertook a review of its business plan and organisational structure to ensure that it was equipped to meet the challenges of an increased workload in a fiscally constrained environment.

To assist with this process PSR engaged external consultants Noetic to undertake a review of its business planning and organisational structure. Initially Noetic worked with PSR to develop a new business plan. This process involved significant staff consultation including whole of agency workshops and focus groups with individual business units within the Agency. This aim of this planning process was to better align the Agency business plan with its core function of delivering the PSR Scheme.

The PSR Business Plan 2012–2014 identifies five strategic objectives. That PSR:

- Preserves the integrity of Medicare Scheme through Peer Review.
- Enhances and improves the PSR case process.
- Supports committed, knowledgeable, well-trained staff capable of delivering PSR's objectives.
- Is recognised by stakeholders as an effective and efficient organisation that supports the PSR Scheme.
- Maintains effective and robust corporate governance that supports the delivery of the PSR Scheme within a changing environment.

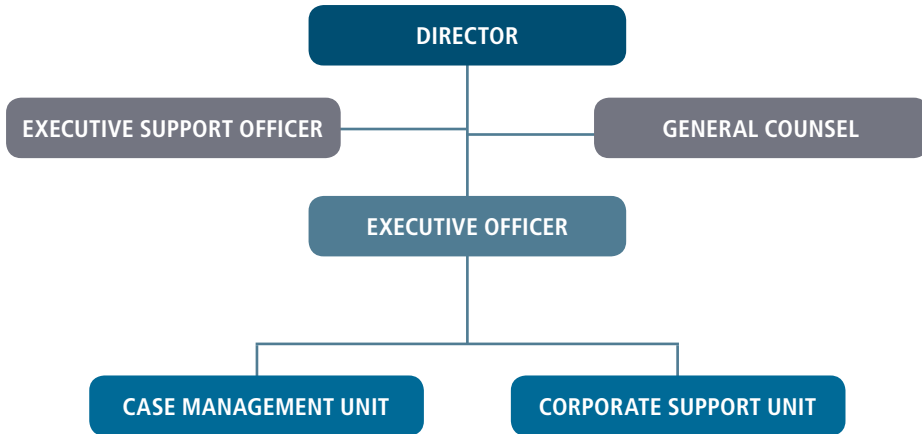
The PSR Business Plan is publicly available on the PSR website at www.psr.gov.au.

Once its new Business Plan was finalised PSR worked with Noetic to undertake consultations with staff to determine the optimum organisational structure to deliver on the targets identified in the Plan. Consultation with staff was undertaken in focus groups, with senior managers and in whole of agency workshops.

This new structure was finalised in May 2013 with implementation from 1 July 2013. (Figure 1). This new structure provides for:

- An expanded Case Management Unit responsible for managing the increased DHS referrals and a resumption of committee hearings.
- An integrated Corporate Support Unit reporting to the Executive Officer and responsible for the human resources function, security and property management, finance and information technology and information management.
- A new role of Executive Support Officer responsible for supporting the Director and Executive Officer and for the coordination of communications, media and parliamentary functions and a new role of General Counsel providing internal legal advice.

Figure 1: PSR organisation chart – 2012–13



PORTFOLIO SHARED SERVICES

In addition PSR began negotiations with the Department of Health and Ageing with a view to accessing a range of corporate support services under the portfolio shared services arrangements offered by the Department. As a small agency it is not realistic or financially viable for PSR to employ the number or range of staff required to provide all of the specialist services that the Agency may need from time to time. For PSR, being able to access specialist advice and services from the Department under the portfolio shared services arrangements assists PSR to manage a range of infrastructure support functions cost effectively. PSR will continue to make the transition to selected shared services arrangements during the 2013–2014 financial year.

EXECUTIVE MANAGEMENT TEAM

The PSR Executive Management Team is made up of the Director, the Executive Officer, the General Counsel, the Manager of the Case Management Unit and the Chief Finance Officer. The Management Team has a regular meeting twice a month and meets as required at other times.

The Management Team meetings include, as standing agenda items, reports from the Director, the Executive Officer, the Chief Finance Officer, reports on Risk Management, Internal Audit, Human Resources and Workplace Health and Safety and a report from the ICT and Information Management Project Governance committee.

The Executive Management Team in providing leadership for the Agency promotes the core principles of good public sector governance, including accountability, transparency, integrity, efficiency and risk management.

As PSR is a small agency, the Executive Management Team undertakes a range of roles which might be performed by specialist committees in a larger organisation.

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

IDENTIFYING AND MANAGING RISK

During the 2012–2013 financial year PSR worked with consultants KPMG to review its enterprise risk management framework and conduct a risk assessment of its activities covering both strategic and operational risks.

The PSR Risk Management Plan summarises the strategic risk context and operational risk assessment for the agency. The plan also outlines key mitigation strategies to be implemented and the roles and responsibilities for monitoring and reviewing risks.

PSR has invested significantly in the development of a robust risk management framework and risk assessment. This investment has continued with the review of PSR's Risk Management Plan.

In addition KPMG worked with PSR to develop a Risk Management Improvement Report. The purpose of this report is to identify and prioritise further opportunities for improvement taking into account both the maturity of the agency's risk management practices and its capacity for developing and implementing further change.

The maturity assessment was undertaken by KPMG at a high level drawing on their risk management knowledge and experience in the private and Australian Government sectors and is based on what would reasonably be expected of an organisation of PSR's relative size, nature and complexity.

The findings from this review have provided input to assessing future improvement initiatives as well as an indicative 'roadmap' to support the development of a detailed Risk Management Improvement Plan.

The improvement priorities identified include:

- Reviewing policy documents.
- Streamlining of risk monitoring and reporting.
- More effectively linking risk management and business planning.
- Ensuring staff engagement.

The risk assessment was also used to prepare the PSR Internal Audit Plan. The Internal Audit Plan includes provision for additional audits should circumstances change during the course of the year. The preparation of the risk assessment is based on a methodology that recognises inherent risk and control effectiveness.

PSR reports on the Internal Audit Plan and provides regular updates on the status of audit recommendations to the PSR Audit Committee.

While risk management and internal controls are overseen by the Audit Committee primary responsibility for managing risk and internal controls rests with line managers who are required to ensure that risks are identified and managed within their units.

FRAUD CONTROL

The PSR Fraud Control Plan 2012–14 has been developed to ensure that PSR has effective systems and processes in place to manage its fraud risks. The Plan complies with the Commonwealth Fraud Control Guidelines 2011 and is consistent with PSR's Risk Management Plan and Chief Executive Instructions. The Chief Executive Instructions were reviewed during 2012–2013 to incorporate legislative amendment and reference to the Commonwealth Procurement Rules.

Fraud control is a standing agenda item for both PSR Executive meetings and Audit Committee meetings.

During 2012–13 there were no reported incidents of fraud. PSR will review the current Fraud Control Plan in early 2014 in accordance with the Guidelines.

EXTERNAL SCRUTINY

PSR was not subject to any other external reviews during the 2012–2013 financial year. However, PSR continues to consolidate the recommendations resulting from the Senate Inquiry in 2011 to refine the administration of the Scheme and improve its effectiveness and transparency.

AUDIT COMMITTEE

The Audit Committee is established by the Director PSR under section 46 of the FMA Act. The Audit Committee provides independent advice on the Agency's governance arrangements, risk management framework, internal control and compliance framework and financial statement responsibilities.

The PSR Audit Committee consists of an independent chair, an independent member and the Agency's Executive Officer. In the 2012–13 financial year Ms Gayle Ginnane was the independent Chair; Mr Peter Hoefer acted as an independent member for 2 meetings at which time he was replaced by Ms Diane Fielding.

Participating observers include representatives from the Australian National Audit Office, the internal auditor Moore Stephens, the Chief Financial Officer and the Manager of the Case Management Unit.

In 2012–13, the Audit Committee met on four occasions. In addition the Chair reported regularly to the CEO.

ETHICAL STANDARDS

PSR recognises its responsibilities as a part of the broader Australian Public Service. As a Statutory Agency, PSR is committed to the APS Values and the Code of Conduct outlined in the *Public Service Act 1999*. In addition, to help guide our performance PSR has defined its own values and behaviours which are underpinned by the APS Values. Our values and behaviours of 'Fair, Transparent and Professional' address the unique aspects of our business and environment and guide us in how we conduct ourselves in performing our role.

To PSR, being **fair** means:

- providing procedural fairness in the operation of the PSR Scheme
- using consistent processes to arrive at justifiable decisions
- delivering an effective and impartial PSR scheme
- explaining the process to stakeholders.

To PSR, being **transparent** means:

- accurately informing practitioners of their rights and responsibilities
- accurately informing practitioners of PSR's powers, responsibilities and intentions
- proactively sharing information about the scheme, our outcomes and activities
- explaining the reasons for outcomes.

To PSR, being **professional** means:

- being accountable for our actions and decisions
- complying with Commonwealth legislative requirements and expectations
- operating with integrity and honesty
- protecting the privacy and confidentiality of the information we receive, use and create
- treating all people with courtesy and respect
- using time and resources effectively.

MANAGEMENT OF HUMAN RESOURCES

During 2012–13 PSR reviewed its human resource policies and guidelines to ensure that they are clear and transparent for staff and appropriately reflect the rights and obligations of PSR employees.

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.

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 via the intranet.

During the coming financial year PSR will begin negotiations for a new Enterprise Agreement.

AUSTRALIAN PUBLIC SERVICE STAFF

Staff employed by PSR, with the exception of the PSR Director, are employed under the *Public Service Act 1999*.

At 30 June 2013, PSR employed 18 APS staff members, including staff on long term leave and secondment.

Table 5 provides details of staff numbers by classification, gender, employment category and status. 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 5: PSR Australian Public Service staff by classification and employment category, at 30 June 2013

Classification	Gender		Employment category		Employment status		Total
	Male	Female	Ongoing	Non-ongoing	Full-time	Part-time	
SES Band 1	0	1	1	0	1	0	1
EL 2	1	1	2	0	2	0	2
EL 1	1	3	4	0	3	1	4
APS 6	2	1	3	0	2	1	3
APS 5	0	2	2	0	1	1	2
APS 4	0	2	2	0	0	2	2
APS 3	2	2	2	2	2	2	4
Total	6	12	16	2	11	7	18

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

Table 6: Actual Professional Services Review Australian Public Service staff numbers as at 30 June 2011–12 and 2012–13

	2011–12	2012–13
FTE 30 June	23.77	14.94
Average staffing level	25.98	23.75

FTE = full-time equivalent.

There were no PSR employees who did not speak English as their first language and no PSR employee whose 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 2012–13, PSR recruited six employees (four ongoing and two non-ongoing). Nine employees exited PSR due to resignation, retirement, and transfer or contract expiry.

ENTERPRISE AGREEMENT AND AUSTRALIAN WORKPLACE AGREEMENTS

At 30 June 2013, the pay and conditions of all APS and Executive Level employees were governed by the PSR Enterprise Agreement 2012–14. The pay and conditions of PSR’s Senior Executive Service (SES) Officer were governed by an SES employment policy and contract. Table 7 lists PSR salary ranges by classification.

Table 7: Professional Services Review salary ranges by classification at 1 July 2012

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 (2012–14).

APS = Australian Public Service; EL = Executive Level.

PERFORMANCE PAY

In accordance with the PSR Enterprise Agreement 2012–14 and through the negotiated productivity initiatives underpinning this Agreement, the removal of performance pay including the simplification of travel and other allowances meant this was no longer payable to staff for 2012–13 period. Despite this change, PSR continues to operate in conjunction with the Performance Development Scheme to assist staff in achieving case time targets and personal development objectives.

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 Executive Level 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 pursuant to sections 84 and 85 of the Act, for the establishment of a PSR Panel. Further instruments were signed on 14 July 2012, 6 September 2012 and 14 March 2013 bringing the total Panel to 103 medical and allied health practitioners.

Panel members and Deputy Directors who are appointed to specific PSR Committees will be paid in accordance with the Remuneration Tribunal rates and allowances.

Table 8: Professional Services Review Panel members by practice location and gender

Location	Male	Female	Total
NSW	22	13	35
ACT	3	3	6
VIC	15	5	20
QLD	10	8	18
TAS	4	2	6
NT	1	1	2
SA	8	5	13
WA	3	0	3
TOTAL	67	37	103

TRAINING AND DEVELOPMENT

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

PSR employees accessed a range of learning and development opportunities during the 2012–2013 financial year.

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 protecting the health, safety and welfare of its employees, contractors and visitors.

PSR undertook a number of health and safety initiatives in 2012–13, including:

- undertaking workstation assessments for all new employees
- arranging influenza vaccinations onsite for all employees
- providing access to the employee assistance program for all employees and their immediate families
- providing training for an additional first aid officer
- appointing a new fire warden and an additional workplace harassment contact officer.

PSR's work health and safety representative is responsible for monitoring workplace hazards. The work health and safety representative and Human Resources Officer 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 work health and safety representative.

NATIONAL DISABILITY STRATEGY

The *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 was previously managed by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and on behalf of the Government.

The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009 also included 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 at www.socialinclusion.gov.au

4 FINANCE

PSR's departmental appropriation budget for 2012–13 was \$5,771,000 which includes an amount of \$32,000 for the departmental capital budget.

The 2012–13 departmental expenses were \$4,340,183 (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 2012–13, PSR sourced goods and services in accordance with the principles set out in the Commonwealth Procurement Rules (available at 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.

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 2012–13, PSR completed a refresh of its ICT infrastructure. PSR continued to donate additional computers and laptops through the Computer Technology for Schools (CTFS) project which were identified as surplus to agency needs. 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

The Agency 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 Rules (CPRs).

During 2012–13, PSR entered into seven new, non-reportable consultancy contracts under section 90 of the Act for a total value of \$50,114 to assist the performance of the functions, duties and powers of the Director. In addition, PSR incurred further expenditure of \$61,780 in relation to two new consultancy contracts for the provision of legal services.

PSR spent a cumulative amount of \$221,183 on consultancies (excluding legal fees) during 2012-13 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 2012–13, 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

In 2012–13, 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

No advertising campaigns or market research were undertaken during 2012–13.

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 2012–13 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 2012–13, PSR participated in Earth Hour.

PUBLICATIONS

PSR produced one publication in 2012–13:

- *Annual Report 2011–12*.

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: Professional Services Review's resource statement and outcome summary 2012–13](#)

[Appendix 2: Financial statements](#)

[Appendix 3: Freedom of information statement](#)

APPENDIX 1

PROFESSIONAL SERVICES REVIEW'S RESOURCE STATEMENT AND OUTCOME SUMMARY 2012–13

Table 9: Resource statement 2012–13

	Actual available appropriations for 2012–13 \$'000 (a)	Payments made 2012–13 \$'000 (b)	Balance remaining \$'000 (a–b)
ORDINARY ANNUAL SERVICES ¹			
Departmental appropriation			
Departmental appropriation ²	5 771	5 267	504
OTHER SERVICES			
Departmental non-operating			
Equity injections	–	–	–
Previous year's outputs	–	–	–
Total other services			
Total resourcing and payments	5 771	5 267	504

All figures are GST exclusive.

1 Appropriation Bill (No 1) 2012–13.

2 Includes an amount of \$0.032 million for the Departmental Capital Budget.

Table 10: 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 2012–13 \$'000 (a)	Actual expenses 2012–13 \$'000 (b)	Variation \$'000 (a)–(b)
Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme			
Departmental outputs	5 739	4 340	1 399
Average staffing level (number)	23	23	0

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

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INDEPENDENT AUDITOR'S REPORT



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 2013, 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.

INDEPENDENT AUDITOR'S REPORT (CONT)

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 2013 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
9 October 2013

STATEMENT BY CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2013 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

9 October 2013

Signed



Linnet Lee
Acting Chief Financial Officer

9 October 2013

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
EXPENSES			
Employee benefits	3A	2,829,497	3,111,678
Supplier expenses	3B	1,325,156	2,506,663
Depreciation and amortisation	3C	180,672	146,573
Finance costs	3D	1,960	4,180
Write-down and impairment of assets	3E	-	13,005
Losses from asset sales	3F	2,898	5,486
Total expenses		4,340,183	5,787,585
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	7,039	-
Other	4B	-	-
Total own-source revenue		7,039	-
Gains			
Other	4C	15,850	15,850
Total gains		15,850	15,850
Total own-source income		22,889	15,850
Net cost of services		4,317,294	5,771,735
Revenue from Government	4D	5,739,000	5,863,000
Surplus attributable to the Australian Government		1,421,706	91,265
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		-	120,191
Total other comprehensive income		-	120,191
Total comprehensive income attributable to the Australian Government		1,421,706	211,456

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

BALANCE SHEET

as at 30 June 2013

	Notes	2013 \$	2012 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	96,226	79,824
Trade and other receivables	5B	6,369,335	5,575,522
Total financial assets		6,465,561	5,655,346
Non-Financial Assets			
Land and buildings	6A,C	314,478	392,549
Property, plant and equipment	6B,C	258,876	157,225
Intangibles	6D,E	26,908	35,002
Other	6F	37,554	47,588
Total non-financial assets		637,816	632,364
Total assets		7,103,377	6,287,710
LIABILITIES			
Payables			
Suppliers	7A	402,214	838,376
Other payables	7B	65,870	95,505
Total payables		468,084	933,881
Provisions			
Employee provisions	8A	413,952	588,154
Other provisions	8B	83,960	82,000
Total provisions		497,912	670,154
Total liabilities		965,996	1,604,035
Net assets		6,137,381	4,683,675
EQUITY			
Parent Entity Interest			
Contributed equity		1,485,000	1,453,000
Reserves		477,671	477,671
Retained surplus		4,174,710	2,753,004
Total parent entity interest		6,137,381	4,683,675
Total equity		6,137,381	4,683,675

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

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2013

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	2,753,004	2,661,739	477,671	357,480	1,453,000	649,000	4,683,675	3,668,219
Adjusted opening balance	2,753,004	2,661,739	477,671	357,480	1,453,000	649,000	4,683,675	3,668,219
Comprehensive income								
Other comprehensive income	-	-	-	120,191	-	-	-	120,191
Surplus (Deficit) for the period	1,421,706	91,265					1,421,706	91,265
Total comprehensive income	1,421,706	91,265	-	120,191	-	-	1,421,706	211,456
Transactions with owners								
Contributions by owners								
Departmental capital budget	-	-	-	-	32,000	804,000	32,000	804,000
Sub-total transactions with owners	-	-	-	-	32,000	804,000	32,000	804,000
Closing balance as at 30 June	4,174,710	2,753,004	477,671	477,671	1,485,000	1,453,000	6,137,381	4,683,675
Closing balance attributable to the Australian Government	4,174,710	2,753,004	477,671	477,671	1,485,000	1,453,000	6,137,381	4,683,675

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

CASH FLOW STATEMENT

for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		4,918,195	4,765,082
Sales of goods and rendering of services		22,454	49,488
Net GST received		167,856	203,038
Total cash received		5,108,505	5,017,608
Cash used			
Employees		2,984,958	3,040,487
Suppliers		1,915,755	2,137,880
Total cash used		4,900,713	5,178,367
Net cash from (used by) operating activities	9	207,792	(160,759)
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		(192,698)	(121,419)
Purchase of intangibles		(26,029)	(4,296)
Other		(211)	-
Total cash used		(218,938)	(125,715)
Net cash from (used by) investing activities		(218,938)	(125,619)
FINANCING ACTIVITIES			
Cash received			
Contributed equity – Departmental capital budget		27,548	124,062
Total cash received		27,548	124,062
Net cash from (used by) financing activities		27,548	124,062
Net increase (decrease) in cash held		16,402	(162,316)
Cash and cash equivalents at the beginning of the reporting period		79,824	242,140
Cash and cash equivalents at the end of the reporting period	5A	96,226	79,824

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

SCHEDULE OF COMMITMENTS

as at 30 June 2013

	2013	2012
BY TYPE	\$	\$
Commitments receivable		
Net GST recoverable on commitments	237,902	279,421
Total commitments receivable	237,902	279,421
Commitments payable		
Other commitments		
Operating leases ¹	(1,506,057)	(1,794,288)
Other ²	(1,110,861)	(1,279,337)
Total other commitments	(2,616,918)	(3,073,625)
Total commitments payable	(2,616,918)	(3,073,625)
Net commitments by type	(2,379,016)	(2,794,204)
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	87,936	118,380
From one to five years	149,966	158,242
Over five years	-	2,799
Total other commitments receivable	237,902	279,421
Operating lease commitments		
One year or less	(349,298)	(336,341)
From one to five years	(1,156,759)	(1,427,159)
Over five years	-	(30,788)
Total operating lease commitments	(1,506,057)	(1,794,288)
Other commitments		
One year or less	(617,991)	(965,837)
From one to five years	(492,870)	(313,500)
Total other commitments	(1,110,861)	(1,279,337)
Total commitments payable	(2,616,918)	(3,073,625)
Net commitments by maturity	(2,379,016)	(2,794,204)

Note: Commitments are GST inclusive where relevant.

- 1 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.
- 2 Other commitments represent provision of goods and services expenditure committed prior to 30 June 2013.

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

SCHEDULE OF CONTINGENCIES

as at 30 June 2013

	2013	2012
	\$	\$
Contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent assets	<u>-</u>	<u>-</u>
Contingent liabilities		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent liabilities	<u>-</u>	<u>-</u>
Net contingent assets (liabilities)	<u>-</u>	<u>-</u>

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.

The continued existence of the entity in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the entity's administration and programs.

PSR activities contributing toward these outcomes are classified as Departmental activities. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by PSR 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 dollar 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 Balance Sheet, Cash Flow Statement, Note 3B, Note 5B, Note 7B, Note 9 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 2012–13 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 PSR.

Future Australian Accounting Standard Requirements

During the 2012–13 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 PSR.

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 entity 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 2012–13 (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.

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.

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 the 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 leave 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 2013. 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

PSR'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.

PSR 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. PSR 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.

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

PSR classifies its financial assets as 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 2013. 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 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.

1.16 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 PSR 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:

	2013	2012
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 10 years	3 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2013. 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.

1.17 INTANGIBLES

PSR'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 PSR's software are 5 to 10 years (2012: 5 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2013.

1.18 TAXATION / COMPETITIVE NEUTRALITY

PSR 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.

1.19 MONITORING OF CONSTITUTIONAL AND OTHER LEGAL REQUIREMENTS

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

The Minister for Finance and Deregulation signed a determination titled "Instrument to Reduce Appropriations (No. 1 of 2013–14), which took effect on 13 August 2013. The amount of the reduction for the Professional Services Review was \$20,000 and has been reflected in a reduction of appropriation revenue for 2012–13.

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

NOTE 3: EXPENSES

	2013	2012
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	2,162,363	2,339,362
Superannuation:		
Defined contribution plans	207,000	188,047
Defined benefit plans	181,453	170,744
Leave and other entitlements	257,040	413,525
Separation and redundancies	21,641	-
Total employee benefits	2,829,497	3,111,678
Note 3B: Suppliers		
Goods and services		
Legal Expenses	(218,669)	1,092,417
Case related fees	151,573	64,304
Other case related expenses	222,927	88,073
Consultant fees	221,183	128,857
Contractor expenses	156,876	103,519
Telephone and internet	106,097	294,731
Recruitment expenses	3,000	44,112
Other expenses	286,999	301,284
Total goods and services	929,986	2,117,297
Goods and services are made up of:		
Rendering of services – related entities	416,331	1,503,318
Rendering of services – external parties	513,655	613,979
Total goods and services	929,986	2,117,297
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	293,387	287,014
Workers compensation expenses	101,783	102,352
Total other supplier expenses	395,170	389,366
Total supplier expenses	1,325,156	2,506,663

	2013	2012
	\$	\$
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	70,844	70,426
Buildings	78,071	52,716
Total depreciation	148,915	123,142
Amortisation:		
Intangibles	31,757	23,431
Total amortisation	31,757	23,431
Total depreciation and amortisation	180,672	146,573
Note 3D: Finance Costs		
Unwinding of discount	1,960	4,180
Total finance costs	1,960	4,180
Note 3E: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Revaluation decrement - property, plant and equipment	-	11,630
Impairment on intangible assets	-	1,375
Total write-down and impairment of assets	-	13,005
Note 3F: Losses from Asset Sales		
Property, plant and equipment:		
Proceeds from sale	-	96
Carrying value of assets sold	2,687	5,582
Selling expense	211	-
Total losses from asset sales	2,898	5,486

NOTE 4: INCOME

	2013	2012
OWN-SOURCE REVENUE	\$	\$

Note 4A: Sale of Goods and Rendering of Services

Rendering of services - related entities	389	
Rendering of services - external parties	6,650	-
Total sale of goods and rendering of services	7,039	-

Note 4B: Other Revenue

Recovery of court costs	-	-
Total other revenue	-	-

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	5,739,000	5,863,000
Total revenue from Government	5,739,000	5,863,000

NOTE 5: FINANCIAL ASSETS

	2013	2012
	\$	\$
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	96,226	79,824
Total cash and cash equivalents	96,226	79,824
Note 5B: Trade and Other Receivables		
Good and Services:		
Goods and services - related entities	1,135	11,865
Goods and services - external parties	48,885	62,114
Total receivables for goods and services	50,020	73,979
Appropriations receivable:		
For existing programs	5,126,139	4,185,018
Departmental capital budget	1,213,073	1,328,938
Total appropriations receivable	6,339,212	5,513,956
Other receivables:		
GST receivable from the Australian Taxation Office	23,988	27,338
Other	-	12,670
Total other receivables	23,988	40,008
Total trade and other receivables (gross)	6,413,220	5,627,943
Less impairment allowance account:		
Goods and services	(43,885)	(52,421)
Total impairment allowance account	(43,885)	(52,421)
Total trade and other receivables (net)	6,369,335	5,575,522
Receivables are expected to be recovered in:		
No more than 12 months	6,320,450	5,575,522
More than 12 months	48,885	-
Total trade and other receivables (net)	6,369,335	5,575,522
Receivables are aged as follows:		
Not overdue	6,364,335	5,555,350
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	10,479
More than 90 days	48,885	62,114
Total receivables (gross)	6,413,220	5,627,943

	2013	2012
	\$	\$
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	43,885	52,421
Total impairment allowance account	43,885	52,421

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2013

	Goods and services	Other receivables	Total
	\$	\$	\$
Opening balance	(52,421)	-	(52,421)
Amounts recovered and reversed	6,236	-	6,236
Amounts written off	2,300	-	2,300
Closing balance	(43,885)	-	(43,885)

Movements in relation to 2012

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

NOTE 6: NON-FINANCIAL ASSETS

	2013	2012
	\$	\$
Note 6A: Land and Buildings		
Leasehold improvements:		
Fair value	394,442	394,442
Accumulated depreciation	(79,964)	(1,893)
Total leasehold improvements	314,478	392,549
Total land and buildings	314,478	392,549

Leasehold improvements were subject to revaluation in 2011–12. The carrying amount of \$314,478 (2012: \$392,549) 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.

	2013	2012
	\$	\$
Note 6B: Property, Plant and Equipment		
Other property, plant and equipment:		
Fair value	348,659	176,376
Accumulated depreciation	(89,783)	(19,151)
Other property, plant and equipment	258,876	157,225
Total property, plant and equipment	258,876	157,225

Property, plant and equipment were subject to revaluation in 2011–12. The carrying amount of \$258,876 (2012: \$157,225) was included in the valuation figures above.

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

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. During 2011–12, the Australian Valuation Office conducted a full valuation of 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 at 30 June 2012 included \$101,257 for leasehold improvements and \$14,795 for computer and office equipment. 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.

Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012–13)

	Buildings \$	Total land and buildings \$	Other property, plant & equipment \$	Total \$
As at 1 July 2012				
Gross book value	394,442	394,442	176,376	570,818
Accumulated depreciation and impairment	(1,893)	(1,893)	(19,151)	(21,044)
Net book value 1 July 2012	392,549	392,549	157,225	549,774
Additions*				
By purchase – cash additions	-	-	175,182	175,182
Depreciation expense	(78,071)	(78,071)	(70,844)	(148,915)
Impairments recognised in the operating result	-	-	-	-
Disposals:				
Other	-	-	(2,687)	(2,687)
Net book value 30 June 2013	314,478	314,478	258,876	573,354
Net book value as of 30 June 2013 represented by:				
Gross book value	394,442	394,442	348,659	743,101
Accumulated depreciation and impairment	(79,964)	(79,964)	(89,783)	(169,747)
Net book value 30 June 2013	314,478	314,478	258,876	573,354

Note 6C (Cont'd): 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
Revaluations recognised in the operating result	-	-	-	-
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)
Net book value 30 June 2012	392,549	392,549	157,225	549,774

	2013	2012
	\$	\$
Note 6D: Intangibles		
Computer software:		
Internally developed – in use	215,526	215,526
Purchased	207,478	183,815
Accumulated amortisation	(396,096)	(364,339)
Total computer software	26,908	35,002
Total intangibles	26,908	35,002

Intangible assets were assessed for impairment at 30 June 2013. No indicators of impairment were found for intangible assets (2012: \$1,374).

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 (2012–13)

	Computer software internally developed \$	Computer software purchased \$	Total \$
As at 1 July 2012			
Gross book value	215,526	183,815	399,341
Accumulated amortisation and impairment	(200,941)	(163,398)	(364,339)
Net book value 1 July 2012	14,585	20,417	35,002
Additions			
By purchase	-	23,663	23,663
Impairments recognised in the operating result	-	-	-
Amortisation	(5,824)	(25,933)	(31,757)
Disposals:			
Other	-	-	-
Net book value 30 June 2013	8,761	18,147	26,908
Net book value as of 30 June 2013 represented by:			
Gross book value	215,526	207,478	423,004
Accumulated amortisation and impairment	(206,765)	(189,331)	(396,096)
Net book value 30 June 2013	8,761	18,147	26,908

Note 6E (Cont'd): 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)
Net book value 30 June 2012	14,585	20,417	35,002

2013	2012
\$	\$

Note 6F: Other Non-Financial Assets

Prepayments	37,554	47,588
Total other non-financial assets	37,554	47,588

Total other non-financial assets – are expected to be recovered in:

No more than 12 months	37,554	43,705
More than 12 months	-	3,883
Total other non-financial assets	37,554	47,588

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

NOTE 7: PAYABLES

	2013	2012
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	370,389	809,028
Operating lease rentals	31,825	29,348
Total supplier payables	402,214	838,376
Supplier payables expected to be settled within 12 months:		
Related entities	112,768	562,737
External parties	259,139	246,291
Total	371,907	809,028
Supplier payables expected to be settled in greater than 12 months:		
External parties	30,307	29,348
Total	30,307	29,348
Total supplier payables	402,214	838,376
Settlement is usually made within 30 days.		
Note 7B: Other Payables		
Salaries and wages	58,821	86,213
Superannuation	7,049	9,292
Total other payables	65,870	95,505
Total other payables are expected to be settled in:		
No more than 12 months	65,870	95,505
Total other payables	65,870	95,505

NOTE 8: PROVISIONS

	2013	2012
	\$	\$
Note 8A: Employee Provisions		
Leave	413,952	588,154
Total employee provisions	413,952	588,154
Employee provisions are expected to be settled in:		
No more than 12 months	171,143	227,109
More than 12 months	242,809	361,045
Total employee provisions	413,952	588,154
Note 8B: Other Provisions		
Provision for restoration obligations	83,960	82,000
Total other provisions	83,960	82,000
Other provisions are expected to be settled in:		
More than 12 months	83,960	82,000
Total other provisions	83,960	82,000
	Provision for	Total
	restoration	\$
	\$	\$
Carrying amount 1 July 2012	82,000	82,000
Additional provisions made	-	-
Amounts used	-	-
Amounts reversed	-	-
Unwinding of discount or change in discount rate	1,960	1,960
Closing balance 2013	83,960	83,960

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

	2013	2012
	\$	\$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	96,226	79,824
Balance sheet	96,226	79,824
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(4,317,294)	(5,771,735)
Add revenue from Government	5,739,000	5,863,000
Adjustments for non-cash items		
Depreciation / amortisation	180,672	146,573
Net write down of non-financial assets	-	13,005
Loss on disposal of assets	2,898	5,486
Finance costs	1,960	4,140
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(789,362)	(1,073,058)
(Increase) / decrease in prepayments	10,034	1,976
Increase / (decrease) in employee provisions	(174,202)	58,133
Increase / (decrease) in supplier payables	(416,279)	617,602
Increase / (decrease) in other payables	(29,635)	(25,921)
Increase / (decrease) in other provisions	-	40
Net cash from (used by) operating activities	207,792	(160,759)

NOTE 10: CONTINGENT ASSETS AND LIABILITIES

QUANTIFIABLE CONTINGENCIES

The Schedule of Contingencies reports no contingent liabilities in 2013 (2012: nil).

UNQUANTIFIABLE CONTINGENCIES

At 30 June 2013, PSR did not have any unquantifiable contingencies (2012: nil).

SIGNIFICANT REMOTE CONTINGENCIES

At 30 June 2013 PSR did not have any significant remote contingencies (2012: nil).

NOTE 11: SENIOR EXECUTIVE REMUNERATION

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

	2013	2012
	\$	\$
Short-term employee benefits:		
Salary	404,923	324,418
Annual leave accrued	43,869	18,921
Performance bonuses	23,614	13,862
Other	93,455	89,288
Total short-term employee benefits	565,861	446,489
Post-employment benefits:		
Superannuation	57,223	32,039
Total post-employment benefits	57,223	32,039
Other long-term employee benefits:		
Long-service leave	12,716	(28,388)
Total other long-term employee benefits	12,716	(28,388)
Total senior executive remuneration expenses	635,800	450,140

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 \$180,000.

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

	2013					
Average annual reportable remuneration ¹	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
\$210,000 to \$239,999	1	173,760	15,501	30,355	-	219,616
\$330,000 to \$359,999	1	236,760	40,504	55,150	-	332,414
Total	2					

	2012					
Average annual reportable remuneration ¹	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
less than \$180,000	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					

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' for tax purposes);
 - exempt foreign employment income; and
 - salary sacrificed benefits.
- The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
- '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.

Note 11C: Other Highly Paid Staff

		2013				
Average annual reportable remuneration ¹		Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total
Staff No.		\$	\$	\$	\$	\$
-		-	-	-	-	-
-		-	-	-	-	-
Total remuneration (including part-time arrangements):						
There were no staff employed by the PSR Agency who received a reportable remuneration of \$180,000 or more in 2013						
Total						
		2012				
Average annual reportable remuneration ¹		Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total
Staff No.		\$	\$	\$	\$	\$
1		138,079	19,534	24,165	9,420	191,198
1						
Total						

Notes:

- This table reports staff:
 - who were employed by the entity during the reporting period;
 - whose reportable remuneration was \$180,000 or more for the financial period; and
 - were not required to be disclosed in Table B or director disclosures.

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' for tax purposes);
 - exempt foreign employment income; and
 - salary sacrificed benefits.
- The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.
- '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 other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.

NOTE 12: REMUNERATION OF AUDITORS

	2013	2012
Financial statement audit services were provided free of charge to the entity by the Australian National Audit Office (ANAO).	\$	\$

The fair value of the services provided was:

Financial statement audit services	15,850	15,850
	15,850	15,850

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

NOTE 13: FINANCIAL INSTRUMENTS

	2013	2012
	\$	\$
Note 13A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	96,226	79,824
Goods and services receivable	6,135	21,558
Total	102,361	101,382
Carrying amount of financial assets	102,361	101,382
Financial Liabilities		
At amortised cost:		
Payables – suppliers	402,214	838,376
Total	402,214	838,376

Note 13B: Fair Value of Financial Instruments

PSR does not carry any financial instruments at fair value.

Note 13C: Credit Risk

PSR was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2013: \$6,135 and 2012: \$21,558).

PSR had assessed the risk of the default on payment and had allocated \$43,885 in 2013 (2012: \$52,421) to an impairment allowance account. The entity managed its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the entity had policies and procedures that guided employees debt recovery techniques that were to be applied.

PSR held 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
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash and cash equivalents	96,226	79,824	-	-
Goods and services receivable	-	1,386	48,885	72,593
Total	96,226	81,210	48,885	72,593

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Goods and services receivable	-	-	-	5,000	5,000
Total	-	-	-	5,000	5,000

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

Note 13D: Liquidity Risk

PSR's financial liabilities are limited to payables. The exposure to liquidity risk is based on the notion that 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 2013

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Payables – suppliers	-	371,907	-	30,307	-	402,214
Total	-	371,907	-	30,307	-	402,214

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

PSR 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

	Notes	2013 \$	2012 \$
Financial assets			
Total financial assets as per balance sheet		6,465,561	5,655,394
Less: non-financial instrument components:			
Appropriations receivable	5B	6,339,212	5,513,956
Other receivables	5B	23,988	40,056
Total non-financial instrument components		6,363,200	5,554,012
Total financial assets as per financial instruments note		102,361	101,382

NOTE 15: APPROPRIATIONS

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

	2013 Appropriations							Appropriation applied in 2013 (current and prior years) \$	Variance (c) \$
	Appropriation Act		FMA Act			Total appropriation \$			
	Annual Appropriation \$	Appropriations reduced \$	Section 30 \$	Section 31 \$	Section 32 \$				
	AFM (b) \$								
DEPARTMENTAL									
Ordinary annual services (a)	5,791,000	-	-	171,563	-	5,962,563	(5,266,895)	695,668	
Total departmental	5,791,000	-	-	171,563	-	5,962,563	(5,266,895)	695,668	

Notes:

- (a) Appropriations reduced under Appropriation Acts (No.1) 2012–13: sections 10, 11, and 12. 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 2013, there was no reduction in departmental and non-operating departmental appropriations.
- (b) There were no amounts advanced to the Finance Minister (AFM) during 2012–13 under Appropriation Acts (No.1) 2012–13: section 13.
- (c) Departmental Appropriations were under spent by \$695,668 and includes equity injections of \$32,000 from Appropriation Act (No.1) – Capital Budget. The variance was mainly attributable to case related activities only resuming in 2012–13 after 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 2013–14.
- (d) PSR received \$20,674 (2012: \$0) under the Paid Parental Leave Scheme.

	2012 Appropriations							Appropriation applied in 2012 (current and prior years) \$	Variance (d) \$
	Appropriation Act		FMA Act			Total appropriation \$			
	Annual Appropriation \$	Appropriations reduced (c) \$	AFM (b) \$	Section 30 \$	Section 31 \$		Section 32 \$		
DEPARTMENTAL									
Ordinary annual services (a)	6,667,000	-	-	-	371,846	-	7,038,846	(5,536,706)	1,502,140
Total departmental	6,667,000	-	-	-	371,846	-	7,038,846	(5,536,706)	1,502,140

Notes:

- (a) Appropriations reduced under Appropriation Acts (No. 1) 2011–12: sections 10, 11, and 12. 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.
- (b) There were no amounts advanced to the Finance Minister (AFM) during 2011–12 under Appropriation Acts (No.1) 2011–12: section 13.
- (c) 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.
- (d) Departmental Appropriations were under spent by \$1,502,140 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.

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

	2013 Capital Budget Appropriations				Capital Budget Appropriations applied in 2013 (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	Section 32					
	\$	\$	\$	\$	\$	\$	\$	\$	
DEPARTMENTAL									
Ordinary annual services – Departmental Capital Budget ¹	32,000	-	-	-	32,000	(147,865)	-	(147,865)	(115,865)

Notes:

- 1 Departmental Capital Budgets are appropriated through Appropriation Acts (No.1). 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 2012–13 under Appropriation Acts (No.1) 2012–13: section 13.
- 3 Payments made on non-financial assets include purchases of assets, expenditure on assets which have been capitalised, and costs incurred to make good an asset to its original condition. Note that payments made on non-financial assets were greater than the departmental capital budget for the year by \$115,865, as capital expenditure anticipated in 2011–12 was delayed until 2012–13 and subsequent years. Therefore, a proportion of the Agency's departmental capital funds received in 2011–12 were spent in 2012–13.

	2012 Capital Budget Appropriations				Capital Budget Appropriations applied in 2012 (current and prior years)			Variance \$
	Appropriation Act		FIMA 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	804,000	-	-	804,000	(124,062)	-	(124,062)	679,938

Notes:

- 1 Departmental Capital Budgets are appropriated through Appropriation Acts (No.1). 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 (No.1) 2011–12: section 13.
- 3 Payments made on non-financial assets include purchases of assets, expenditure on assets which have been capitalised, and costs incurred to make good an asset to its original condition.

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

Authority	2013 \$	2012 \$
DEPARTMENTAL		
Appropriation Act (No. 1) 2012–13	1,106,635	-
Appropriation Act (No. 1) 2011–12	1,309,811	1,591,189
Appropriation Act (No. 1) 2010–11	3,922,767	3,922,767
Cash balance	96,226	79,824
Total	6,435,439	5,593,780

The cash balance of \$96,226 represents unspent departmental appropriation from Appropriation Act (No.1) 2012–13 (2012: \$79,824 from Appropriation Act (No.1) 2011–12). Unspent departmental appropriation also includes a departmental capital budget of \$4,452 (2012: \$679,938).

NOTE 16: SPECIAL ACCOUNTS

During 2011–12, the Professional Services Review had an Other Trust Moneys Special Account. This account was established under section 20 of the Financial Management and Accountability Act 1997 (FMA Act). The purpose of this account was for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.

For the year ended 30 June 2012, 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

	2013	2012
	\$	\$
Compensation and Debt Relief – Departmental		
No 'Act of Grace' expenses were incurred during the reporting period (2012: No payments made).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997. (2012: None).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2012: None).	-	-
No ex-gratia payments were provided for during the reporting period. (2012: None).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period. (2012: None).	-	-

NOTE 18: REPORTING OF OUTCOMES

Note 18A: Net Cost of Outcome Delivery

	Outcome ¹		Total	
	2013	2012	2013	2012
	\$	\$	\$	\$
Departmental				
Expenses	4,340,183	5,787,585	4,340,183	5,787,585
Own-source income	22,889	15,850	22,889	15,850
Net cost/(contribution) of outcome delivery	4,317,294	5,771,735	4,317,294	5,771,735

1 Outcomes 1 is described in Note 1.1.

NOTE 19: NET CASH APPROPRIATION ARRANGEMENTS

	2013	2012
	\$	\$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	1,602,378	358,029
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(180,672)	(146,573)
Total comprehensive income (loss) – as per the Statement of Comprehensive Income	1,421,706	211,456

- 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.

NOTE 20: COMPLIANCE WITH STATUTORY CONDITIONS FOR PAYMENTS FROM THE CONSOLIDATED REVENUE FUND

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

PSR does not have any special accounts or special appropriations as at 30 June 2013.

During 2012–13, the Department of Finance and Deregulation advised agencies that there could be breaches of Section 83 under certain circumstances in relation to payments for long service leave, goods and services tax and payments made under determinations of the Remuneration Tribunal. PSR will review its processes and controls over payments for these items to minimise the possibility for potential breaches as a result of these payments.

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 via the PSR website at:
<http://www.psr.gov.au/psr-agency-corporate-information/information-publication-scheme>.

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. Sometimes referred to as PSRC.

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. Sometimes referred to as the DPSR.

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.

DoHA means the Department of Health and Ageing who have portfolio responsibility for the Professional Services Review Scheme.

Draft Determination means the draft document containing what action is proposed to be taken in your case 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 your case 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.

MBS means the Medicare Benefits Schedule.

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	i
	Table of contents	Mandatory	iii
	Index	Mandatory	79–81
	Glossary	Mandatory	73–74
	Contact officer(s)	Mandatory	Inside front cover
	Internet home page address and Internet address for report	Mandatory	Back cover
Review by DPSR			
	Review by Agency Head	Mandatory	v–vii
Departmental Overview			
	Role and functions	Mandatory	1–2
	Organisational structure	Mandatory	14
	Outcome and program structure	Mandatory	3
	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	3–7
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	8–9
	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	3–7
	Trend information	Mandatory	3–7
	Factors, events or trends influencing departmental performance	Suggested	9–12
	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

Part of Report	Description	Requirement	Page Number
	Discussion and analysis of the department's financial performance	Mandatory	21
	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	24
Management and Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	Cover & 15
	Statement of the main corporate governance practices in place	Mandatory	13
	Senior management committees and their roles	Suggested	14
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	16
	Judicial decisions and decisions of administrative tribunals	Mandatory	8
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	16
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	17–20
	Training and development undertaken and its impact	Suggested	19
	Statistics on staffing	Mandatory	17–20
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	18
	Performance pay	Mandatory	18
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	21
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	21
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	21–22

Part of Report	Description	Requirement	Page Number
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	22
Exempt contracts	Contracts exempt from the AusTender	Mandatory	22
Financial Statements	Financial Statements	Mandatory	25–71
Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	20
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	22
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	22
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not Applicable
	Grant programs	Mandatory	22
	Disability reporting – explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	20
	Information Publication Scheme statement	Mandatory	72
	Correction of material errors in previous annual report	If applicable, mandatory	Not Applicable
	List of Requirements	Mandatory	75–77

* The reference is to the location of the item in the requirements; e.g., 'A.4' refers to the fourth item in Attachment A.



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