



Australian Government
Professional Services Review

Professional Services Review

Annual Report 2013–14



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Letter of transmittal

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 2014.

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*.

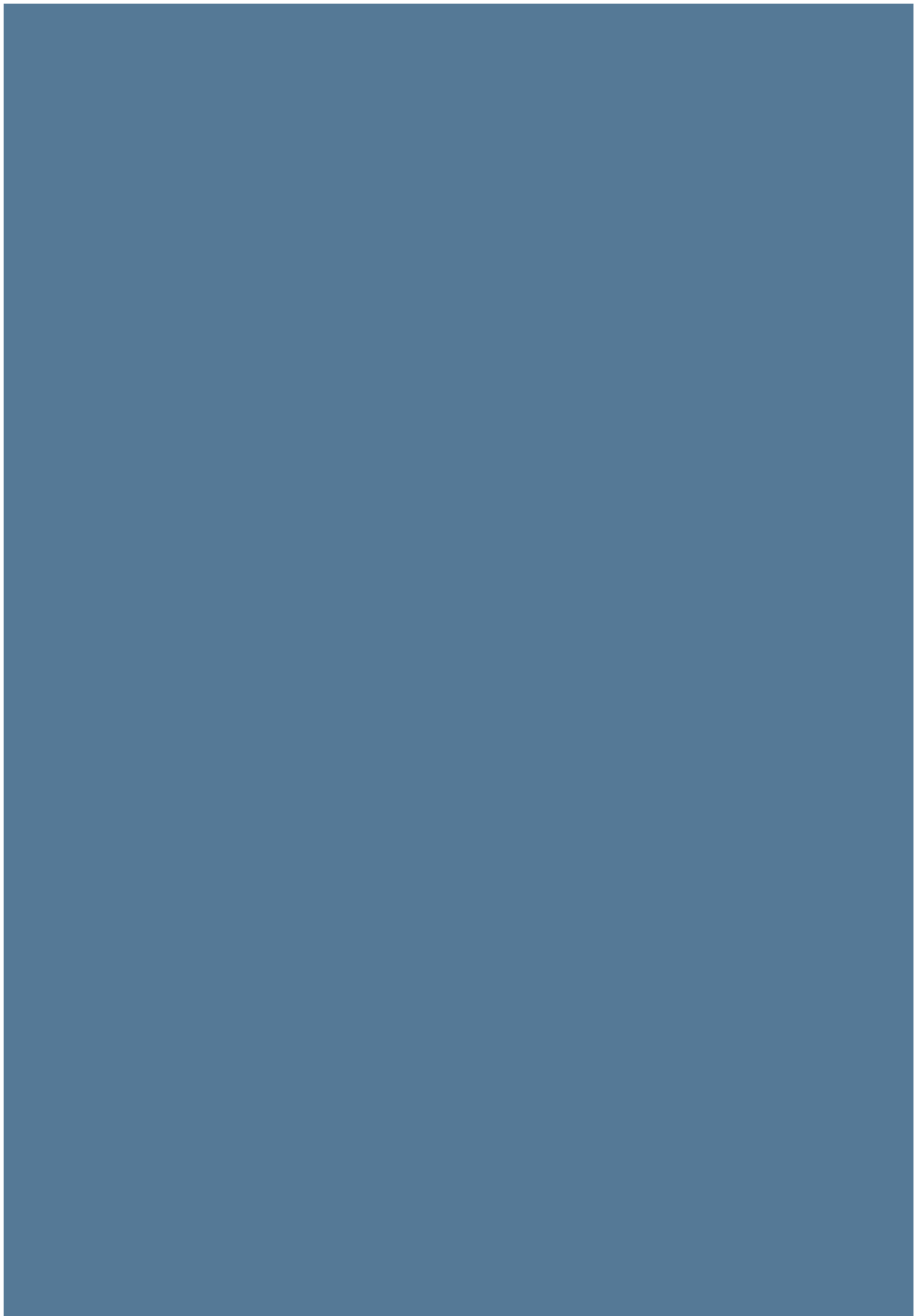
The report includes the Professional Services Review Agency's audited financial statements as required under section 57 of the *Financial Management and Accountability Act 1997*.

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

Yours sincerely



Dr Bill Coote
Director
Professional Services Review
October 2014





Contents

Director's introduction	vii
1. Agency overview	1
The Professional Services Review Scheme	1
About the Professional Services Review Agency	1
Our stakeholders	1
Agency and scheme objectives	1
Agency outcome	2
Agency delivery of outcome	2
The future	2
2. Report on performance	3
Outcome and program aims and major activities	3
Professional Services Review Agency performance	4
Summary of legal cases	8
Performance against Portfolio Budget Statement 2013–14	8
Director's comments	9
3. Management and accountability	17
Structure and organisation	17
Management of human resources	22
4. Finance	27
Purchasing	27
Asset management	27
Consultants	28
Australian National Audit Office access clauses	28
Exempt contracts	28
Advertising and market research	28
Grants programs	28
Ecologically sustainable development and environmental performance	29
Publications	29

Appendices	31
Appendix 1 Resource statement and outcome summary 2013–14	32
Appendix 2 Financial statements	33
Appendix 3 Freedom of information statement	86
Glossary	87
List of requirements	89
Index	92



Director's introduction

The Professional Services Review (PSR) Agency was formally established 20 years ago, on 21 July 1994, when the then Minister for Human Services and Health, Dr Carmen Lawrence, formally appointed Dr John Holmes as the inaugural Director PSR. There have been two other PSR Directors since Dr Holmes retired in 2005. Dr Tony Webber was Director from 2005 until 2011, when the present Director was appointed.

The part of the *Health Insurance Act 1973* that establishes the PSR Scheme defines the basic objects of the scheme. These are to protect 'patients and the community in general from the risks associated with inappropriate practice' and to protect 'the Commonwealth from having to meet the cost of services provided as a result of inappropriate practice'.

PSR is a peer review system. It relies on the Professional Services Review Panel, which is made up of practitioners nominated by relevant professional bodies and appointed by the Minister for Health. PSR peer review committees are appointed from this panel.

The legislation empowers PSR to require practitioners to provide samples of clinical records. Under the PSR Scheme more substantial sanctions apply than under previous arrangements. When a PSR committee finds 'inappropriate practice' after examining a random sample of services, any repayment of Medicare benefits can be 'extrapolated' to all services in the defined class provided during a defined year; a practitioner can also be disqualified from all or part of the Medicare or Pharmaceutical Benefits Scheme arrangements.

Issues of concern regarding the health, conduct or performance of a practitioner sometimes become apparent during Medicare and PSR investigative processes. The legislation establishing PSR empowers the Professional Services Review Agency to refer such matters through the Australian Health Practitioner Regulation Agency (AHPRA) to relevant professional boards and state health complaints bodies.

Professional Services Review in 2013–14

This Annual Report details activities undertaken by the PSR Agency during 2013–14. The Agency has now recovered from the major disruptions to its activities during the period 2010 to 2012.

During 2013–14 six education sessions were held for PSR Panel members:

- > Training sessions for Panel members were held in Sydney in October 2013 and March 2014 and in Brisbane in November 2013 and in Adelaide in May 2014.
- > Training sessions for Deputy Directors were held in Canberra on Friday and Saturday 19 and 20 July 2013 and again on 13 and 14 June 2014. Senior representatives of the Department of Human Services, the Australian Medical Association and the Royal Australian College of General Practitioners attended.

These educational events concentrated on PSR committee processes, with a focus on ensuring practitioners were accorded procedural fairness. At these sessions selected Panel members participated in mock committee hearings.

Issues under consideration within PSR include:

- > further adoption of electronic communications, with plans to eventually have a PSR portal, to facilitate committee members' input to draft reports and other documents
- > further development of processes currently in place to provide committee members with electronic versions of clinical notes for committee meetings. This is complicated by the variable adoption of electronic records among practitioners referred to PSR and by the range of commercial medical record systems in use across Australia
- > initiatives to speed up PSR processes—often inherently drawn out given the multiple steps laid out in the Health Insurance Act—where they are within PSR's direct control. One area is the preparation of draft reports of committee hearings.

The PSR Advisory Committee (PSRAC), with membership from the Department of Health, the Department of Human Services, the Australian Medical Association and PSR, has been meeting each year. This is a valuable forum for raising policy and operational issues.

Issues which PSR proposes raising at PSRAC include a facilitated process for appointing members to the PSR Panel when a committee of peers of practitioners from disciplines not often referred to PSR is required. The current process can cause long delays in establishing a PSR peer committee.

Conclusion

As Director I would like to acknowledge the individual practitioners on the PSR Panel, without whom PSR could not function and who provide their time and expertise so willingly.

I would also like to acknowledge the cooperation and professionalism of the officers of the Department of Health and the Department of Human Services with whom PSR liaises on a regular basis.

Finally I would like to acknowledge the professionalism and commitment of Patricia O'Farrell, PSR's Executive Officer, and all PSR staff, who cooperate so willingly as the organisation continually adapts to a changing and ever more complex legal and organisational environment.



Dr Bill Coote

Director

Professional Services Review



1 Agency overview

The Professional Services Review Scheme

The high quality and integrity of Australia's health system is recognised internationally. Preventing inappropriate practice is crucial to maintaining this 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 practice.

About the Professional Services Review Agency

PSR operates as an independent agency within the Australian Government's Health portfolio, and reports directly to the Minister for Health. 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 Australian Public Service (APS) Values. Our values and behaviours—**fair, transparent** and **professional**—address the unique aspects of our business and environment and guide us in performing our role.

Our stakeholders

During 2013–14, PSR continued to work closely with key stakeholders to improve its operations. PSR stakeholders include the Department of Health, the Department of Human Services (DHS), 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*, which establishes the PSR Scheme. Section 79A of the Act states:

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 outcome

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

The PSR Agency is accountable for delivering one of 31 outcomes allocated to the federal Health portfolio. The PSR outcome is:

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

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 Benefits Scheme 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.

PSR has acted on the recommendations from these enquiries and continued to strengthen its governance processes and to build capacity within the agency to deliver a rigorous peer review scheme which affords procedural fairness to practitioners and meets its outcome in protecting the integrity of Medicare and the Pharmaceutical Benefits Scheme.

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 changes and challenges.

2 Report on performance

Outcome and program aims and major activities

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

The PSR Scheme is funded to ensure that requests by Medicare (part of the Department of Human Services (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 2013–14 financial year, PSR continued to investigate healthcare professionals, refer matters to PSR committees, progress PSR committee hearings, support the Determining Authority in its determination of sanctions and consideration of negotiated agreements, 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 'Professional Services Review Agency performance' section of this report.

Maintaining professional support for PSR

During 2013–14, 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 2013–14. This included work on 36 cases already on hand at the beginning of the year, as well as 44 cases received during 2013–14. 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

During 2013–14, DHS sent 44 requests for review to PSR. This is one fewer than the number of requests for review received in 2012–13.

In 2013–14, PSR completed 47 cases. Of these, 15 were the subject of a decision by the PSR Director to take no further action, 24 were negotiated agreements that were ratified and became effective, six were final determinations that became effective, one resulted in a finding by the PSR committee of no inappropriate practice, and one was a case before the Federal Court that was resolved by consent orders. In addition, 10 cases were referred to a committee of peers.

Table 1 lists PSR's case statistics from 2012–13 to 2013–14.

Table 1: PSR case statistics 2012–13 to 2013–14

Action	2012–13	2013–14
Requests received from DHS	45	44
> requests by DHS to review a practitioner with a previous effective determination for a second or subsequent time	4	8
No further action	16	15
Requests withdrawn or lapsed	5	0
Referrals from the PSR Director to new PSR committees	10	10
Committees in progress	8	9 ^a
Committee reports finalised	2	9
> reports finding inappropriate practice	2	8
> reports finding no inappropriate practice	0	1
Committee matters ceased	0	0
Referrals to AHPRA, medical boards or other bodies	5	4
Referrals to Medicare participation review committees	7	N/A
Referrals to DHS for suspected fraud	0	0
Negotiated agreements ratified and effective	20	24
Draft determinations made	2	8
Final determinations made	6	6
Final determinations effective	7	6
Cases on hand at 30 June 2014	36	33 ^b

Notes:

a. Committee matters in progress as at 30 June 2014.

b. 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 15 of the 47 cases completed in 2013–14. This represents 32 per cent of all matters completed in the year.

In these 15 cases, a decision was reached in an average of 100 days (compared to an average of 146 days in 2012–13).

The dismissed cases involved 15 general practitioners. The practitioners were from New South Wales, Queensland, South Australia, Victoria and Western Australia.

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 Pharmaceutical Benefits Scheme (PBS) items
- > a binding decision on what sanctions will apply in relation to their matter.

In 2013–14, 24 negotiated agreements were ratified and became effective. Outcomes of these negotiated agreements include (Table 2):

- > repayment orders totalling \$1,603,091.54 in 21 cases
- > reprimand in 22 cases
- > 14 partial disqualifications from access to the Medicare benefits program or the PBS.

The practitioners concerned were general practitioners from the Australian Capital Territory (ACT), the Northern Territory, New South Wales, Queensland, Victoria, and Western Australia.

Table 2: Negotiated agreements 2013–14

Repayment orders	\$1,603,091.54
Reprimands	22
Total suspensions	
Full suspensions	0
Partial suspensions	14
Full and partial suspensions	0

PSR Panel

Under section 93 (1) of the Act, the Director may establish a PSR 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 the PSR Panel of 101 practitioners appointed during 2011–12 and 2012–13.

The PSR Panel consists of practitioners from a range of backgrounds and practice locations. Eighteen per cent of PSR Panel members practise in inner regional areas, four per cent practise in outer regional areas and one per cent practise in remote areas. Women comprise 36 per cent of the members of the PSR Panel.

PSR committees

During the 2013–14 financial year, the Director established 10 PSR committees and made referrals to each of them. Of the 10 practitioners referred to a PSR committee, nine were general practitioners and one was a dentist.

Of the 10 PSR committees established, seven were still in progress at the end of the financial year. Six committee hearings had been held and two final committee reports had been sent to the Determining Authority. Both the finalised Committee reports resulted in findings of inappropriate practice.

The Determining Authority

In 2013–14, the Determining Authority made eight draft determinations and six final determinations following PSR committee report findings of inappropriate practice (Table 3).

Draft determinations took an average of 117 days and the issuing of final determinations took an average of 204 days (Table 3).

During 2013–14, six 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 two months
- > partial disqualification from Medicare in three cases for between six months and 36 months
- > repayment of Medicare benefits in all cases ranging from \$5,522.30 to \$299,185.82 (totalling \$712,523.89).

The Determining Authority took an average of 16 days (compared with 15 in 2012–13) against a legislated timeframe of one month to ratify 24 negotiated agreements, with 24 negotiated agreements becoming effective (Table 1). The Determining Authority refused to ratify two negotiated agreements.

Table 3: Average number of days to complete 2012–13 and 2013–14

	2012–13	2013–14
No further action	146	100
Negotiated agreements	250	184
Final committee reports	247	268
Ratification of negotiated agreements	15	16
Draft determinations ^a	897	117
Final determinations ^a	826	204

a The delays in draft and final determinations are attributable to undertakings by the Determining Authority 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 Determining Authority recommenced consideration of PSR committee cases.

Re-referrals

In 2013–14, DHS made eight requests to PSR to review practitioners who had previously been referred to, and reviewed by, PSR and had an effective negotiated agreement or determination. At 30 June 2014, four of these cases were still under review; one case was dismissed under section 91 of the Act, one entered into a section 92 agreement with the Director and two had been referred to a PSR committee. 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.

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 2013–14, the Director made four referrals of practitioners to the Australian Health Practitioner Regulation Agency (AHPRA), medical boards 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.

No court actions involving PSR matters were commenced in 2013–14. The only court action that remained outstanding at the end of 2012–13 was decided in August 2013. This case is described below under 'Summary of legal cases'.

Summary of legal cases

The following case was decided during 2013–14.

Federal Court

Rich v Ingram [2014] FCA 800

In this matter the Federal Court upheld the validity and effectiveness of Schedule 1 to the *Health Insurance Amendment (Professional Services Review) Act 2012*, the effect of which was to validate the actions of PSR committees that had not been validly constituted.

In considering the particular PSR committee's final report, which was the subject of the court action, Justice Bromberg held that the committee was not required to provide with its final report its reasons for not accepting any changes to its draft report suggested by the person under review. While the committee had not referred to all the matters raised by Dr Rich in his submissions on the draft report, the court was not convinced that an inference should be drawn that no proper, genuine and realistic consideration was given to those submissions.

In discussing the nature of submissions on a draft report, Justice Bromberg said:

'... the submissions stage contemplated by s 106KD(3) is an opportunity to respond and suggest changes to the draft report. It is not an opportunity to raise for the first time evidence which could and should have been raised at the hearing. Material in a submission of that kind is not material that, in my view, a PSR Committee is bound to take into account.

The court dismissed the application for judicial review.

Performance against Portfolio Budget Statement 2013–14

Key performance indicators

The quantitative key performance indicators specified for PSR in the Portfolio Budget Statement 2013–14 were the percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient is identified and the total number of PSR actions upheld by the courts after appeal.

PSR achieved its target of 100 per cent for both key performance indicators.

In 2014–15, PSR will further strengthen the deterrent effect of the PSR Scheme by continuing 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.

Quantitative deliverables

PSR continued to action referrals from DHS during 2013–14, completing 47 matters.

Table 4: PSR quantitative deliverables 2013–14

Quantitative indicators and deliverables	2013–14 budget	2013–14 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	15	10
Total number of matters finalised ^a	40	47
Percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient is identified	100%	100%
Total PSR actions upheld by the courts after appeal	100%	100%

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.

Director's comments

Some recurrent issues

The Medical Board of Australia publication *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'; that they should ensure the services they provide are 'necessary and likely to benefit the patient'; and that they 'are expected to reflect regularly on whether they are practising effectively'.

It is PSR's experience that some practitioners do not heed these principles. Previous PSR Annual Reports, including the 2012–13 report, included examples of some practice patterns commonly referred to PSR by the Department of Human Services (Medicare).

Medicare refers a wide range of issues to PSR. Some specific matters referred to PSR during the 2013–14 year are discussed below. Other concerns considered by PSR consultants and PSR committees during 2013–14 were similar to matters discussed in previous PSR Annual Reports.

Chronic disease management items

The use of chronic disease management (CDM) Medicare Benefits Schedule (MBS) items was discussed in some detail in PSR's 2012–13 Annual Report. Items 721, 723 and 732 have been included in the MBS to provide general practitioners (GPs) with a useful mechanism for recording comprehensive, accurate and up-to-date information about a patient's condition and all the treatment they are receiving.

To be eligible for CDM items a patient must have a chronic or terminal medical condition that has been or is likely to be present for six months or longer.

Item 723 (for a team care arrangement (TCA)) provides for GPs to refer patients to allied health practitioners such as physiotherapists, dieticians and podiatrists so that services provided by these practitioners attract Medicare rebates. Advice to GPs from the Government stresses, however: 'The chronic disease planning process is not simply a mechanism to provide Medicare rebates for allied health services'.

Many practitioners are referred to PSR after providing very high numbers of these CDM services compared to the number of these services provided by a 'typical' GP.

In the past, PSR Annual Reports have noted that many referrals to PSR involving CDM items were in respect of referrals for dental treatment under the Chronic Disease Dental Scheme (CDDS). The Government terminated the CDDS in 2012. However, in line with Medicare data showing growing utilisation of CDM items despite the termination of the CDDS, the number of referrals to PSR involving practitioners' use of CDM items continues to rise.

PSR peer review committees have to consider many issues in assessing whether the generation of a GP management plan (GPMP) and an associated team care arrangement with referrals to allied health practitioners reflects appropriate practice. These issues include the following points.

- > Many practitioners who provide high numbers of these services use computer-generated templates, and a plan may have minimal input specific to the patient for whom the plan has been prepared.
- > Some GPs delegate much of the work of preparing a plan and liaising with allied health practitioners to a practice nurse. Assistance is appropriate but formal advice to GPs is that 'the GP retains responsibility for the health, safety and clinical outcomes of the patient' and 'the GP must review and confirm all assessments and arrangements, and see the patient'. In many cases clinical records reviewed by PSR suggest that input by the GP has been minimal.
- > The more fundamental challenge for PSR peer review committees is assessing whether a plan and team care referrals are, given all the circumstances, 'clinically relevant' in that they reflect the aims of the CDM program of supporting 'a structured care approach'. The challenge is to assess what the use of these CDM items adds to the care of a patient.

PSR finds that some practitioners appear to regard the requirements detailed in the Medicare Benefits Schedule Book pertaining to these items as a bureaucratic compliance matter to allow patient access to Medicare rebates for allied health services, rather than a guide to providing and coordinating complex, demanding professional medical and allied health services to patients with significant chronic conditions.

Publicly available data on the Medicare website ('Provider Percentile Charts') for the period 1 January 2013 to 31 December 2013 shows that 50 per cent of GPs provided 32 or fewer Item 721 services and 95 per cent of GPs fewer than 220 services, and that 50 per cent claimed 29 or fewer Item 723 services and 95 per cent claimed 173 or fewer Item 723 services.

A typical referral to PSR from Medicare which included a concern regarding high numbers of CDM items provided by a practitioner working in a large outer suburban practice who provided over 17,000 total services and was an '80/20' referral (see 'The 80/20 rule' below). In the year reviewed services provided included over 400 Item 721 services, over 400 team care arrangements and over 1,300 Item 732 reviews of items 721 and 723. On review of a sample of this practitioner's plans, PSR noted little evidence of input by anyone other than the practice nurse. Most of the content of a plan was "generic" computer-generated template material with just a few specific measures such as blood pressure and weight added by the practice nurse. This practitioner did not see the patients at all on the day the plan was completed. She argued that GP input came from attendances, often some weeks earlier, at which an appointment was made to see the practice nurse for completion of CDM documentation.

The chronic disease management MBS items attract quite substantial Medicare rebates. At 1 July 2012, the MBS fees were \$138.75 for a GPMP, \$109.95 for preparing a TCA, and \$69.35 for reviewing a GPMP or TCA. These fees imply that, in developing these MBS items, GP professional organisations and the Government anticipated that they would, when used appropriately, require considerable time and professional input by the medical practitioner rendering the service.

Detailed requirements for properly and adequately undertaking GPMPs, TCAs and plan reviews are provided to GPs in paragraph A.37 of the Medicare Benefits Schedule Book. As well, the Department of Health provides the detailed document *Chronic Disease Management—Medicare Items—Questions and Answers* at www.health.gov.au/internet/main/publishing.nsf/Content/mbsprimarycare-chronicdiseasemanagement-qanda.

The 80/20 rule

Practitioners continue to be referred under the '80/20 rule', which applies only to GPs. GPs who provide 80 or more attendance MBS items on 20 or more days in a year are automatically deemed to have engaged in 'inappropriate practice' unless they can demonstrate 'exceptional circumstances'.

Recent referrals under the 80/20 rule include practitioners whose service profile showed large numbers of CDM items. Such a pattern of servicing is inherently of concern given that CDM items, if used appropriately, require extended, time-consuming input from the medical practitioner.

In one case, the services of a general practitioner in their first seven months of practice in Australia (during which period there were seven weeks when the practitioner saw no patients) attracted Medicare benefits of almost \$600,000. In this period almost 9,000 services were provided to 4,000 patients. This included more than 25 days on which they provided 80 or more attendance services. On each of these days the services provided usually included 10 or more claims for complex GP management plans and other CDM items (items 721, 723 and 732).

Another practitioner referred to PSR rendered 80 or more attendance services on each of 165 days. These services included almost 1,700 attendances claimed under MBS Item 2713, an item rendered for 'a patient in relation to a mental disorder and lasting at least 20 minutes' and almost 250 services under Item 707 for a health assessment 'lasting at least 60 minutes' and including 'comprehensive information collection' and 'an extensive examination of the patient's medical condition, and physical, psychological and social function'. This practitioner had migrated to Australia under the sponsorship of a corporate practice and was practising under an 'area of need' provision which restricted his practice to one location. This case raised an interesting issue in that the PSR committee of peers appointed to assess whether this practitioner had engaged in 'inappropriate practice' had some sympathy for the practitioner's assertion that he had been required by the sponsoring practice to work very long hours.

A challenging issue for PSR: unorthodox practice

Over the last year or so PSR has been referred several medical practitioners who provide services outside the scope of practice of the vast majority of medical practitioners.

The American medical historian Charles Rosenberg suggests 'casual use of the terms orthodox and unorthodox' carry with them 'echoes of distant yet intense theological battles and agendas'. Rosenberg suggests:

there will always be a gap between medicine as a social function—what happens to men and women when they feel ill or fear becoming ill—and the more limited and in some ways arbitrarily bounded enterprise of biomedicine. Alternative medicines will continue to thrive in the ever-shifting space constituted by needs that mainstream medicine cannot or will not—and perhaps should not—consistently address.

Such academic speculation provides interesting perspectives. However in the meantime PSR is required to assess referrals from Medicare in respect of services and treatments a majority of doctors might regard as 'unorthodox'.

These practitioners are referred to PSR when Medicare determines that the pattern of Medicare payments supporting such practice is unusual. It has been challenging for PSR and its peer review committees to determine which, if any, of the services provided by these practitioners appropriately attracted Medicare benefits. That is, are services such as standard attendances inherently part of the 'unorthodox' treatments or are they, as some of these practitioners have argued, eligible for MBS rebates separate from the actual provision of an unorthodox treatment? Practitioners have argued that, for example, initial assessments were to assess the suitability for treatment and not part of the unorthodox treatment.

Chronic pain and migraines

One practitioner who was referred provided 'low-level laser' treatments. This practitioner explained that some patients 'have had severe and chronic pain, often neck pain or back pain, often with migraine, and sometimes with tinnitus, secondary to neck injury ... The patients have often been attending medical practitioners and allied practitioners for many years, usually in excess of 20 years. A significant number have lost faith in medical practitioners'.

Modalities employed by the practitioner included infrared heat therapy, infrared sauna and the use of low-level laser treatment.

In submissions to PSR this practitioner made a clear distinction, in respect of his payment of Medicare benefits, between his assessment of patients by standard medical approaches and his use of somewhat unconventional treatment modalities. He explained:

We also use an infra-red camera to detect the blood flow within the first 5 millimetres of skin. The camera is used to locate the hot spots of blood flow to the injured sites. The patients are never charged for the photos. No charge is made associated with the low level laser application.

The period covered by this referral was before capping of rebates available on standard GP attendance items through the extended Medicare safety net. Typically patients visited this practitioner on many occasions during the year reviewed. The practitioner used the previous uncapped Medicare safety net arrangements under which, once a threshold was reached, all of a practitioner's bills were reimbursed by Medicare at 80 per cent of whatever fees were charged.

During the year reviewed by PSR the Medicare fee for a standard GP consultation was \$36.60. By using the safety net arrangement, this practitioner's patients were paid rebates of, on average, \$445 for a standard consultation. Similarly Level C (lasting at least 20 minutes) GP attendances by this practitioner, with a standard Medicare fee of \$69 at the time, attracted average Medicare rebates of \$530.

This practitioner was found by the PSR committee to have engaged in inappropriate practice, and sanctions included repayment of Medicare benefits. In respect of this practitioner's billing practices, the committee also decided that a majority of attendance items that attracted Medicare benefits were inherently part of the unusual treatments being provided. The committee was concerned that the practitioner had exploited the Medicare arrangements in ways that may constitute unsatisfactory professional conduct, and referred the practitioner to the Medical Board of Australia.

Unusual treatments

PSR's investigation of another practitioner, classified as a GP, raised similar issues including the relationship between attendances for which MBS rebates were claimed and unusual services provided by the practitioner. Again, many patients became eligible for payment of benefits under the Medicare safety net. While in the year under review the practitioner saw fewer than 250 patients, these patients had many visits and attracted average rebates over the year of almost \$2,500, mainly for MBS attendance and acupuncture items. The issue again is the relationship between these services and more unusual services being provided by the practitioner concurrently and billed privately outside of Medicare, including unconventional treatments for advanced cancer.

Subclinical hypothyroidism

Another practitioner referred by Medicare to PSR was recognised under Medicare as a GP but had a practice limited largely to patients with chronic fatigue syndrome and related issues. This practitioner explained that his practice focused on such patients and that he did not provide broader GP services.

In the year reviewed only around 2,500 attendance services provided by the practitioner attracted an MBS benefit. (A 'typical' full-time GP provides 7,000 to 8,000 services in a year.) Many patients were billed privately outside the Medicare arrangements for attendance services.

However, this practitioner's ordering of pathology services under Medicare was among the very highest of all GPs in Australia. On all measures provided to PSR by Medicare (total benefits paid, pathology services per patient, MBS benefits per patient) this practitioner's ordering of pathology under Medicare was above the 99th percentile compared to all GPs. A feature of this practitioner's practice was the ordering of very high numbers of tests for thyroid function, Vitamin D levels and various hormone estimations.

This practitioner believed that sub-clinical hypothyroidism was much more common in the Australian community than generally recognised. Management of this condition, he told PSR, requires regular, bimonthly thyroid function testing and regular 'nuanced' adjustments to treatment with the short-acting thyroid medication liothyronine. PSR referred to statements in *Harrison's Principles of Internal Medicine* (2012) regarding the treatment of hypothyroidism:

The use of levothyroxine combined with liothyronine has been investigated, but benefit has not been confirmed in prospective studies ... There is no place for liothyronine alone as long-term replacement, because the short half-life necessitates three or four daily doses and is associated with fluctuating T3 levels ... Once full replacement is achieved and TSH levels are stable, follow up measurement of TSH is recommended at annual intervals.

The practitioner argued that the textbook is wrong.

Summary

In any year only a very small number of the 100,000 or so medical and other practitioners whose services attract Medicare benefits are referred to PSR. In 2013–14, the year under review in this Annual Report, 44 practitioners were referred to PSR by Medicare.

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

Background to the PSR Scheme

The regulation of health professions in Australia involves a complex mosaic of organisations.

Beginning in the 19th century the six Australian states and the ACT and Northern Territory established medical boards whose main task was to define requirements for registration of medical practitioners.

The Council of Australian Governments (COAG) agreed in 2008 to establish a single National Registration and Accreditation Scheme for all registered health practitioners. This is administered by AHPRA.

The legislation governing this scheme is the Health Practitioner Regulation National Law, as in force in each state and territory. The national law is state and territory legislation, not Commonwealth legislation.

As well as defining educational standards to be met before a practitioner can be registered, the various health profession boards in the national scheme define registration standards covering issues such as continuing education requirements. Boards, in conjunction with state government health complaints bodies, also have disciplinary roles involving assessment of complaints, or 'notifications', regarding the health, conduct or performance of individual practitioners.

These structures and processes by which the medical and other health professions are regulated in Australia reflect a complex evolution in response to many factors, including:

- > a tendency in society to demand more open and explicit accountability of the self-regulating professions
- > heightened expectations across society regarding the standards of health care
- > technical developments in medicine leading to more and more specialisation
- > the emergence of many complex and challenging ethical and bioethical issues as new technologies are developed and as societal standards change
- > greater third-party, especially government, involvement in the provision and funding of health and medical services.

PSR exists largely because of this last point. The direct involvement of the Commonwealth in subsidising the provision of medical and other health services for all Australians through the compulsory, universal Medicare scheme created a need for processes to ensure taxpayers' money is being spent appropriately.

The PSR Scheme was developed in response to various reports, including a 1982 federal Parliament Joint Committee of Public Accounts report and a 1992 report by the Australian National Audit Office. These reports suggested that the existing arrangements for assessing suspected overservicing and related concerns were of limited effectiveness.

At the heart of much debate about PSR is the tension between professional autonomy and the need for some system of oversight. The medical profession was debating these issues well before the establishment of Medicare.

For example, in 1968 there was vigorous correspondence in the Medical Journal of Australia (MJA) about the Medical Services Committees of Inquiry (the predecessors of PSR) originally established as part of the Pensioner Medical Scheme introduced by the Commonwealth in the early 1950s. One Sydney GP proposed sanctions much more severe than those available in 2014 to PSR:

There is a persistent rumour in the medical profession recently that certain doctors have been guilty of defrauding the Federal Government by claiming payment for making unnecessary visits to pensioners. If this has been proven against any practitioner, he should be fined and perhaps jailed. The Medical Board should then consider the matter of deregistering him.

However, another Sydney GP responded:

I don't like the way the Department of Health has been handling this overvisiting business. When it can make me have little tingles of doubt about myself, when it can start make me start looking over my shoulder in case Big Brother has his eye on me, there is something wrong.

The General Secretary of the AMA wrote:

... those doctors who consider that there should be no control on the number of services which a doctor may render at Government expense are being completely unrealistic ... it is up to those who criticize the present system of controlling abuse to suggest a better method.

(MJA 13 January 1968, p. 74, and 6 April 1968, p. 609)

Weaknesses of processes that existed before the establishment of PSR in 1994 included the limitations of the former Medical Services Committees of Inquiry. These could only examine individual services, so any repayments were typically minimal and of little deterrence value. It was also suggested that the investigative powers of the then Health Insurance Commission (equivalent to Medicare) were deficient.

3 Management and accountability

Structure and organisation

The Director of PSR is an independent statutory officer appointed by the Minister for Health under section 83 of the Act. PSR is an agency for the purposes of the *Financial Management and Accountability Act 1997* (FMA Act), and the Director is prescribed as the agency's chief executive.

During 2013–14, Dr Bill Coote continued his role of Director PSR. Dr Coote was first appointed by the Minister for Health in an acting capacity, with agreement from the AMA, on 14 August 2011. He was substantively appointed by the Minister 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 2013–14 financial year PSR continued to consolidate the review of its business plan and organisational structure that began in 2012–13.

To assist with this process of consolidation PSR engaged external consultants Noetic to undertake an evaluation of the implementation of the agency's business planning and organisational restructure. This process of evaluation involved significant staff consultation including whole-of-agency workshops and focus groups with individual business units within the agency. Staff also provided feedback via a climate survey. The overall staff response was very positive and reflected a significant improvement in staff satisfaction.

Noetic also consulted with PSR stakeholders including the Department of Health, the Department of Human Services, the AMA and a number of legal advisers assisting practitioners under review. The aim of this evaluation process was to ensure that PSR continued to monitor its performance against the agency business plan with its core function of delivering the PSR Scheme. Again responses from stakeholders were positive and supported the initiatives undertaken by PSR to improve its performance.

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

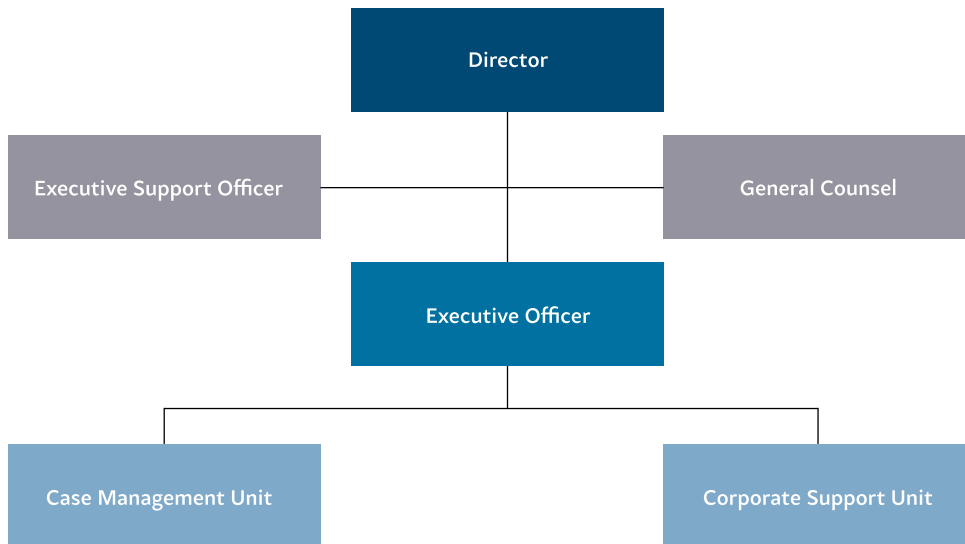
- > Preserve the integrity of the Medicare Benefits Scheme through peer review
- > Enhance and improve the PSR case process
- > Support committed, knowledgeable, well-trained staff capable of delivering PSR's objectives
- > Be recognised by stakeholders as an effective and efficient organisation that supports the PSR Scheme
- > Maintain 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. During 2014–15 PSR will review this Business Plan in preparation for the development of a new Corporate Plan.

The agency's new structure was implemented from 1 July 2013 (Figure 1). It provides for:

- > a Case Management Unit responsible for managing the increased number of referrals from the Department of Human Services and a resumption of committee hearings
- > an integrated Corporate Support Unit reporting to the Executive Officer and responsible for human resources, security and property management, finance, information technology and information management
- > an Executive Support Officer responsible for supporting the Director and the Executive Officer and for the coordination of communications, media and parliamentary functions
- > the role of General Counsel providing internal legal advice.

Figure 1: PSR organisation chart 2013–14



Portfolio shared services

During 2013–14 PSR continued to progress the negotiations commenced in 2012–13 with the Department of Health in relation 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. 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 shared services arrangements during the 2014–15 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 team has a regular meeting twice a month and meets as required at other times.

Executive Management Team meetings include as standing agenda items reports from the Director, the Executive Officer and the Chief Finance Officer; reports on risk management, internal audit, procurement and contracting, human resources and workplace health and safety, including leave liability; and a report from the Information and Communications Technology (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 2013–14 financial year PSR worked with consultants KPMG to 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 the 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 its 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 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 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 was 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 Fraud Control Plan will be reviewed in the second half of 2014 and will incorporate provisions relevant to the new *Public Governance, Performance and Accountability Act 2013*.

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

During 2013–14 there were no reported incidents of fraud.

External scrutiny

PSR was not subject to any other external reviews during the 2013–14 financial year. During the year PSR finalised the recommendations resulting from the 2011 Senate inquiry into the PSR Scheme. These recommendations were aimed at refining the administration of the scheme and improving its effectiveness and transparency. The finalisation of these recommendations was overseen by both the internal PSR Audit Committee and the Professional Services Review Advisory Committee.

Audit Committee

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

At the beginning of the 2013–14 financial year KPMG was appointed as the new internal auditors for PSR for a term of three years. The appointment of KPMG follows a long and productive association between PSR and Moore Stephens, the agency's previous internal auditor.

With the appointment of the new internal auditor PSR, in consultation with KPMG and the PSR Audit Committee, undertook a review of all of its internal audit related processes. PSR also developed a new Audit Plan, which was approved by the Audit Committee. One of the first internal audits undertaken by KPMG was a review of the PSR Controls Framework. This audit was undertaken to give PSR assurance in relation to areas of the Controls Framework that are working effectively and to identify any areas for improvement, including aspects of PSR's preparation for the implementation of the new Public Governance, Performance and Accountability Act.

The PSR Audit Committee consists of an independent chair, an independent member and the agency's Executive Officer. In 2013–14 Ms Gayle Ginnane was the independent chair and Ms Diane Fielding was the independent member. Participating observers include representatives from the Australian National Audit Office and KPMG.

In 2013–14, the Audit Committee met on four occasions. In addition the Chair reported regularly to the Director PSR.

Ethical standards

PSR recognises its responsibilities as a part of the broader Australian Public Service (APS). As a statutory agency, PSR is committed to the APS Values and Code of Conduct outlined in the *Public Service Act 1999*. In addition, to help guide its performance PSR has defined its own values and behaviours, which are underpinned by the APS Values. Our values and behaviours—**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 our 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 2013–14 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 and 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 that encourages and supports all employees in raising concerns about unacceptable behaviour, 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; these procedures are 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.

At 30 June 2014, 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. It includes staff on temporary transfer to PSR from another government agency or on secondment from PSR to another government agency, as well as staff on long-term leave.

Table 5: PSR APS staff by classification and employment category, at 30 June 2014

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	5	6	0	5	1	6
APS 6	1	1	2	0	2	0	2
APS 5	0	2	2	0	1	1	2
APS 4	1	2	3	0	1	2	3
APS 3	1	1	2	0	1	1	2
Total	5	13	18	0	13	5	18

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

Table 6: Actual PSR staff numbers, at 30 June 2012–13 and 2013–14

	2012–13	2013–14
FTE	14.94	15.41
Average staffing level	23.75	18

FTE = full-time equivalent

There were no PSR employees who did not speak English as their first language; 27 per cent had parents who did not speak English as their first language. PSR had no employees who identified as Aboriginal or Torres Strait Islander. PSR had no employees with an identified disability.

During 2013–14, PSR recruited two ongoing employees. Three employees left PSR through resignation, retirement, and transfer or contract expiry.

Enterprise agreement and Australian workplace agreements

At 30 June 2014, 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: PSR salary ranges by classification at 1 July 2013

Classification	Minimum	Maximum
APS 3	\$55,311	\$61,175
APS 4	\$62,542	\$67,143
APS 5	\$68,051	\$71,976
APS 6	\$75,382	\$88,555
EL 1	\$95,248	\$106,351
EL 2	\$113,780	\$131,953

Note: Salary ranges are from PSR Enterprise Agreement 2012–14.

APS = Australian Public Service; EL = Executive Level

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
- > flextime 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 PSR Panel members and Determining Authority members on an annual basis.

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 shows PSR Panel membership by location and gender.

Table 8: PSR Panel members by practice location and gender

Location	Male	Female	Total
NSW	21	11	32
ACT	3	4	7
VIC	15	7	22
QLD	10	6	16
TAS	4	2	6
NT	1	1	2
SA	8	5	13
WA	3	0	3
Total	65	36	101

Training and development

PSR employees, in consultation with their managers, identify their training and development needs through individual development plans made under the organisation's Performance Development Scheme. As a result of this consultation PSR employees accessed a range of learning and development opportunities during the 2013–14 financial year including a variety of external courses and workshops in areas including leadership and management, work health and safety, law, risk and records management. All employees attended courses on work health and safety matters as mandatory training.

In addition PSR also engaged consultants Noetic to undertake a Training Needs Analysis involving all staff. The impetus for the Training Needs Analysis arose from the review that PSR undertook of the implementation of its restructure. This restructure resulted in a reduction of staff particularly in the corporate support area and in particular a reduction in the number of EL staff in relation to APS staff. This meant that remaining staff took on new tasks and responsibilities and were often working across a number of areas. The PSR management team wanted to ensure that staff were properly supported to take on these new roles and were given appropriate development opportunities. The Training Needs Analysis provided individual assessment of training needs to support these new roles.

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 2013–14, including:

- > undertaking workstation assessments for all new employees
- > arranging influenza vaccinations on site 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 the 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.

Disability reporting mechanisms

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014, and can be found at www.dss.gov.au.

4 Finance

PSR's departmental appropriation budget for 2013–14 was \$6,195,000 which includes an amount of \$455,000 for the departmental capital budget.

The agency's 2013–14 departmental expenses were \$4,861,383 (GST exclusive).

A resource summary of PSR's departmental expenses is provided in Appendix 1. Further information on PSR's financial performance is provided in the audited financial statements and accompanying notes at Appendix 2.

Purchasing

In 2013–14, 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 purchasing 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 the service delivery agreement with the provider, PSR requires 'best fare of the day' when procuring air travel for all PSR employees and part-time officeholders.

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.

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.

Before 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.

During 2013–14, PSR entered into five new consultancy contracts under section 90 of the HIA Act for a total value of \$54,535 (GST exclusive) to assist the performance of the functions, duties and powers of the Director. In addition, PSR incurred further expenditure of \$159,558 (GST exclusive) in relation to two new consultancy contracts for the provision of legal services.

PSR spent a cumulative amount of \$465,799 (GST exclusive) on consultancies during 2013–14 to assist the agency with 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 2013–14, 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 2013–14, PSR had no contracts over the value of \$10,000 that were exempted from being published on 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 2013–14.

Grants programs

PSR does not administer any grants programs.

Ecologically sustainable development and environmental performance

Section 516A of the *Environment 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.

Specific activities undertaken during 2013–14 to improve the agency's environmental performance and reduce electricity consumption include the removal of individual heaters, the introduction of sensor light technology across the office and the installation of energy-efficient light bulbs.

Publications

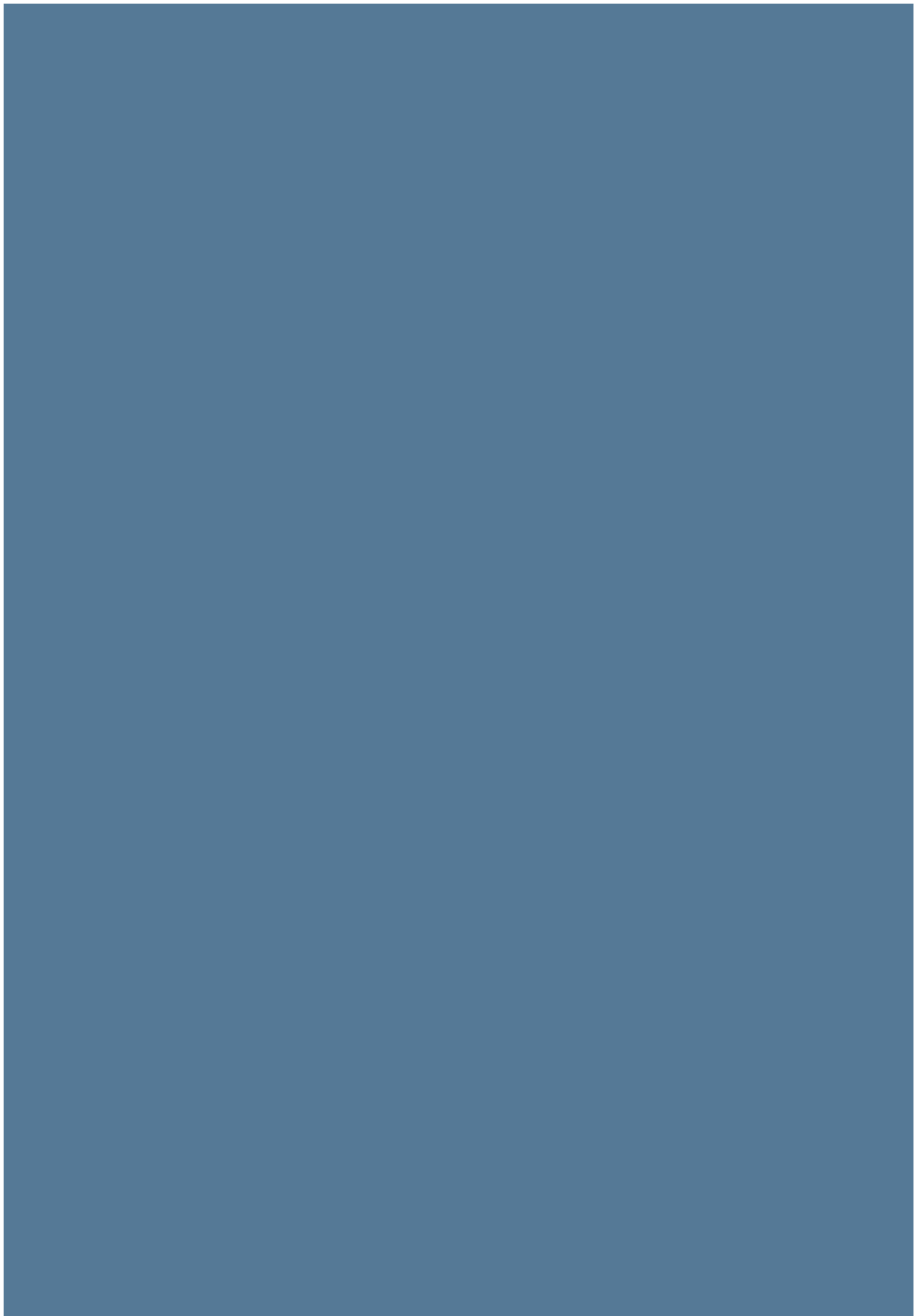
PSR produced one publication in 2013–14:

> *Annual Report 2012–13*

In response to recommendations 1, 2 and 3 of the final Senate Committee report, PSR launched a new website to ensure that 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 the PSR Agency that is easily accessible by practitioners and members of the public. New components include:

- > a dedicated section for practitioners who have been referred under the PSR Scheme
- > a section on the PSR Agency outlining the administrative and support services it provides to enable the Director of PSR, PSR peer review committees and the Determining Authority to perform their legislated functions under the Act.
- > a comprehensive history of the PSR Scheme.
- > published and accessible appointment information, including instruments of appointment for the Director, PSR Panel and Determining Authority.





Appendices

Appendix 1 Resource statement and outcome summary 2013–14

Appendix 2 Financial statements

Appendix 3 Freedom of information statement

Appendix 1: Resource statement and outcome summary 2013–14

Table 9: Resource statement 2013–14

	Actual available appropriations for 2013–14 (\$'000) (a)	Payments made 2013–14 (\$'000) (b)	Balance remaining (\$'000) (a–b)
Ordinary annual services¹			
Departmental appropriation			
> Departmental appropriation ²	6,195	4,932	1,263
Other services			
Departmental non-operating			
> Equity injections	-	-	-
> Previous year's outputs	-	-	-
Total other services			
Total resourcing and payments	6,195	4,932	1,263

All figures are GST exclusive.

1 Appropriation Acts (No 1) 2013–14

2 Includes an amount of \$0.455 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 Medicare and the Pharmaceutical Benefits Scheme

	Budget 2013–14 \$'000 (a)	Actual expenses 2013–14 \$'000 (b)	Variation \$'000 (a)–(b)
Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme			
Departmental outputs	5,740	4,861	879
Average staffing level (number)	23	18	5

Appendix 2: Financial Statements

Financial Statements

Independent Audit Report

Statement by Chief Executive and Chief Financial Officer

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Cash Flow Statement

Schedule of Commitments

Schedule of Contingencies

Note 1: Summary of Significant Accounting Policies

Note 2: Events After the Reporting Period

Note 3: Expenses

Note 4: Income

Note 5: Fair Value Measurements

Note 6: Financial Assets

Note 7: Non Financial Assets

Note 8: Payables

Note 9: Provisions

Note 10: Cash Flow Reconciliation

Note 11: Contingent Liabilities and Assets

Note 12: Senior Executive Remuneration

Note 13: Remuneration of Auditors

Note 14: Financial Instruments

Note 15: Financial Assets Reconciliation



Note 16: Appropriations

Note 17: Compensation and Debt Relief

Note 18: Reporting of Outcomes

Note 19: Net Cash Appropriation Arrangements

Independent Audit Report

**Australian National
Audit Office**

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 2014, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements, 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.

GPO Box 797 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6263 7300 Fax (02) 6203 7777

Independent Audit Report (continued)

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

Independence

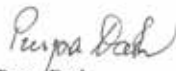
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Professional Services Review's financial position as at 30 June 2014 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Puspita Dash
Executive Director

Delegate of the Auditor-General

Canberra
9 October 2014


Statement by the Chief Executive and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2014 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 2014

Signed.....

Linnet Lee
Acting Chief Financial Officer

9 October 2014

Statement of Comprehensive Income

for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
EXPENSES			
Employee benefits	3A	2,373,952	2,829,497
Supplier expenses	3B	2,296,070	1,325,156
Depreciation and amortisation	3C	153,475	180,672
Finance costs	3D	880	1,960
Write-down and impairment of assets	3E	37,006	-
Losses from asset sales	3F	-	2,898
Total expenses		4,861,383	4,340,183
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	28,473	7,039
Total own-source revenue		28,473	7,039
Gains			
Other	4B	36,005	15,850
Reversals of Previous Asset Write-Downs and Impairments	4C	2,342	-
Total gains		38,347	15,850
Total own-source income		66,820	22,889
Net cost of services		4,794,563	4,317,294
Revenue from Government	4D	5,740,000	5,739,000
Surplus attributable to the Australian Government		945,437	1,421,706
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		19,883	-
Total other comprehensive income		19,883	-
Total comprehensive income attributable to the Australian Government		965,320	1,421,706

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

Statement of Financial Position

as at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	6A	78,925	96,226
Trade and other receivables	6B	7,942,423	6,369,335
Total financial assets		8,021,348	6,465,561
Non-Financial Assets			
Land and buildings	7A,C	261,700	314,478
Property, plant and equipment	7B,C	171,070	258,876
Intangibles	7D,E	33,430	26,908
Other	7F	36,498	37,554
Total non-financial assets		502,698	637,816
Total assets		8,524,046	7,103,377
LIABILITIES			
Payables			
Suppliers	8A	244,717	402,214
Other payables	8B	95,692	65,870
Total payables		340,409	468,084
Provisions			
Employee provisions	9A	543,936	413,952
Other provisions	9B	82,000	83,960
Total provisions		625,936	497,912
Total liabilities		966,345	965,996
Net assets		7,557,701	6,137,381
EQUITY			
Parent Entity Interest			
Contributed equity		1,940,000	1,485,000
Reserves		497,554	477,671
Retained surplus		5,120,147	4,174,710
Total parent entity interest		7,557,701	6,137,381
Total equity		7,557,701	6,137,381

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

Statement of Changes in Equity

for the period ended 30 June 2014

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	4,174,710	2,753,004	477,671	477,671	1,485,000	1,453,000	6,137,381	4,683,675
Adjusted opening balance	4,174,710	2,753,004	477,671	477,671	1,485,000	1,453,000	6,137,381	4,683,675
Comprehensive income								
Other comprehensive income	-	-	19,883	-	-	-	19,883	-
Surplus (Deficit) for the period	945,437	1,421,706	-	-	-	-	945,437	1,421,706
Total comprehensive income	945,437	1,421,706	19,883	-	-	-	965,320	1,421,706
of which:								
Attributable to the Australian Government	945,437	1,421,706	-	-	-	-	945,437	1,421,706
Transactions with owners								
Contributions by owners								
Departmental capital budget	-	-	-	-	455,000	32,000	455,000	32,000
Sub-total transactions with owners	-	-	-	-	455,000	32,000	455,000	32,000
Closing balance as at 30 June	5,120,147	4,174,710	497,554	477,671	1,940,000	1,485,000	7,557,701	6,137,381
Closing balance attributable to the Australian Government	5,120,147	4,174,710	497,554	477,671	1,940,000	1,485,000	7,557,701	6,137,381

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

Cash Flow Statement

for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		4,585,479	4,918,195
Sales of goods and rendering of services		27,758	22,454
Net GST received		165,185	167,856
Total cash received		4,778,422	5,108,505
Cash used			
Employees		2,223,511	2,984,958
Suppliers		2,563,964	1,915,755
Total cash used		4,787,475	4,900,713
Net cash from (used by) operating activities	10	(9,053)	207,792
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		75,819	313,015
Purchase of intangibles		27,989	26,029
Other		-	211
Total cash used		103,808	339,255
Net cash (used by) investing activities		(103,808)	(339,255)
FINANCING ACTIVITIES			
Cash received			
Contributed equity — Departmental capital budget		95,560	147,865
Total cash received		95,560	147,865
Net cash from financing activities		95,560	147,865
Net increase (decrease) in cash held		(17,301)	16,402
Cash and cash equivalents at the beginning of the reporting period		96,226	79,824
Cash and cash equivalents at the end of the reporting period	6A	78,925	96,226

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

Schedule of Commitments

as at 30 June 2014

	2014	2013
	\$	\$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments ¹	227,436	237,902
Total commitments receivable	227,436	237,902
Commitments payable		
Capital commitments		
Intangibles ²	241,495	-
Total capital commitments	241,495	-
Other commitments		
Operating lease ³	1,171,159	1,506,057
Other ⁴	1,089,140	1,110,861
Total other commitments	2,260,299	2,616,918
Total commitments payable	2,501,794	2,616,918
Net commitments by type	2,274,358	2,379,016
BY MATURITY		
Commitments receivable		
Capital commitments		
Within 1 year	21,954	-
Total capital commitments	21,954	-
Operating lease		
Within 1 year	33,131	31,755
Between 1 to 5 years	73,338	105,160
Total operating lease	106,469	136,915
Other commitments		
Within 1 year	66,801	56,181
Between 1 to 5 years	32,212	44,806
Total other commitments	99,013	100,987
Commitments payable		
Capital commitments		
Within 1 year	241,495	-
Total capital commitments	241,495	-

Schedule of Commitments (Cont'd)

as at 30 June 2014

	2014	2013
	\$	\$
Operating lease		
Within 1 year	364,442	349,298
Between 1 to 5 years	806,717	1,156,759
Total operating lease	1,171,159	1,506,057
Other commitments		
Within 1 year	734,810	617,991
Between 1 to 5 years	354,330	492,870
Total other commitments	1,089,140	1,110,861
Total commitments payable	2,501,794	2,616,918
Net commitments by maturity	2,274,358	2,379,016

1. Commitments were GST inclusive where relevant.
2. Intangibles relate to contracts for a case management system.
3. 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.
4. Other commitments represent provision of goods and services expenditure committed prior to 30 June 2014.

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

Schedule of Contingencies

as at 30 June 2014

At 30 June 2014, PSR did not have any contingencies (2013: nil).

Notes to and forming part of the financial statements

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 PSR administration and programs.

PSR activities contributing toward this outcome 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 statement of financial position 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 statement of financial position, cash flow statement, Note 8A, Note 9A and Note 14C.

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.

The following new standard was issued prior to the signing of the statement by the chief executive and chief financial officer, were applicable to the current reporting period and had a material effect on PSR's financial statements:

AASB 13 Fair Value Measurement

AASB 13 has been released as a result of the International Accounting Standard Board's (IASB) project to ensure consistency of fair value measurement and disclosure within financial statements.

AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This value does not factor in PSR specific intentions for the asset, for example whether PSR intends to hold or sell the asset.

Key features included in AASB 13 are; the requirement to value non-financial assets at their highest and best use; identification of a principal (or most advantageous) market; and disclosure of all fair value measurements based on the fair value hierarchy. AASB 13 also introduces additional disclosures. It extends the fair value hierarchy disclosures previously required for financial instruments alone to all assets and liabilities carried at fair value.

The following revised standard was issued prior to the signing of the statement by the chief executive and chief financial officer, were applicable to the current reporting period and had a material effect on PSR's financial statements:

AASB 119 Employee Benefits

AASB 119 was reissued as a result of the International Accounting Standard Board's (IASB) project to increase the useability and comparability of post-employment benefit liabilities. The recognition rules and definitions related to termination benefits have been revised, which could have an impact on the financial statements when PSR recognises termination expenses.

Short-term employee benefits are now defined as employee benefits that are expected to be settled wholly within twelve months after reporting date. Previously, short-term employee benefits were defined as employee benefits due to be settled within twelve months. AASB 119 requires retrospective application, with limited exemptions for comparative information and previously capitalised employee costs.

All other new and revised standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on PSR's financial statements.

Future Australian Accounting Standard Requirements

The following new standard was issued by the Australian Accounting Standards Board prior to the signing of the statement by the chief executive and chief financial officer, which are expected to have a material impact on PSR's financial statements for future reporting period(s):

AASB 1055 Budgetary Reporting

AASB 1055 sets out budgetary disclosure requirements for the whole of-government, the General Government Sector (GGs) and for not-for profit entities within the GGs of each government.

AASB 1055 requires:

- > disclosure of an entity's original budgeted financial statements reflecting controlled items and administered items;
- > explanation of major variances between the actual amounts presented in the financial statements and the corresponding original budgeted amounts for departmental and administered items; and
- > disclosure of the budgeted information on the same presentation and classification bases adopted in the financial statements for departmental and administered items.

The explanations of major variances required to be disclosed are those relevant to an assessment of the discharge of accountability and to the analysis of PSR's performance. They include high-level explanations of the cause of major variances rather than merely the nature of the variance.

Any revised budget that is presented to parliament during the reporting period may be disclosed in the financial statements in addition to the original budget and might need to be referred to in explanations of major variances.

If the disclosure of budgeted financial statement is not consistent with the presentation and classification bases adopted in the financial statements of controlled and administered items, the budgeted statements are restated for disclosure purposes to align with presentation and classification bases in the financial statements.

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.

Revenue from Government

Amounts appropriated for departmental appropriations for 2013-14 (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 expected 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 leaves is non-vesting and the average sick leave taken in future years by employees of PSR 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 PSR employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The long term leave 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 2014. 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 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 Fair Value Measurement

PSR deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

1.12 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; and
- c. cash held by outsiders.

1.13 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 2014. 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, 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.

1.14 Financial Liabilities

Financial liabilities are classified as 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).

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position 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.

1.16 Acquisition of Assets

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

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

1.17 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, 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

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:

	2014	2013
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 2014. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.18 Intangibles

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 (2013: 5 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2014.

1.19 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.

1.20 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 [2014] HCA 23*, 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.

Notes to and forming part of the financial statements

Note 2: Events After the Reporting period

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) commenced on 1 July 2014. Appropriation Acts prior to 1 July 2012 are no longer valid as they retain reference to the *Financial Management and Accountability Act 1997* (FMA Act) and *Commonwealth Authorities and Companies Act 1997* (CAC Act). Therefore, Appropriation Acts prior to 1 July 2012 will no longer be available to PSR from 1 July 2014.

The financial effect of the repeal is disclosed in Note 16.

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

Notes to and forming part of the financial statements

Note 3: Expenses

	2014	2013
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	1,799,557	2,162,363
Superannuation:		
Defined contribution plans	171,619	207,000
Defined benefit plans	132,064	181,453
Leave and other entitlements	270,712	257,040
Separation and redundancies	-	21,641
Total employee benefits	2,373,952	2,829,497
Note 3B: Suppliers		
Goods and services supplied or rendered		
Legal Expenses	159,558	(218,669)
Case related fees	542,754	151,573
Other case related expenses	401,092	222,927
Consultant fees	306,242	221,183
Contractor expenses	127,110	156,876
Telephone and internet	79,169	106,097
Recruitment expenses	-	3,000
Other expenses	277,505	286,999
Total goods and services supplied or rendered	1,893,430	929,986
Services rendered in connection with		
Related parties	335,265	416,331
External parties	1,558,165	513,655
Total services rendered	1,893,430	929,986
Other suppliers		
Operating lease rentals in connection with		
External parties		
Minimum lease payments	299,453	293,387
Workers compensation expenses	103,187	101,783
Total other suppliers	402,640	395,170
Total suppliers	2,296,070	1,325,156

	2014	2013
	\$	\$

Note 3C: Depreciation and Amortisation

Depreciation

Property, plant and equipment	56,230	70,844
Buildings	78,322	78,071

Total depreciation	134,552	148,915
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Amortisation

Intangibles	18,923	31,757
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Total amortisation	18,923	31,757
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Total depreciation and amortisation	153,475	180,672
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Note 3D: Finance Costs

Unwinding of discount	880	1,960
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Total finance costs	880	1,960
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Note 3E: Write-Down and Impairment of Assets

Asset write-downs and impairments from:

Impairment on financial instruments	5,000	-
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Impairment of property, plant and equipment	12,048	-
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Revaluation decrement — property, plant and equipment	19,958	-
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Total write-down and impairment of assets	37,006	-
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Note 3F: Losses from Asset Sales

Property, plant and equipment:

Carrying value of assets sold	-	2,687
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Selling expense	-	211
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Total losses from asset sales	-	2,898
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Notes to and forming part of the financial statements

Note 4: Income

	2014	2013
	\$	\$
OWN-SOURCE REVENUE		
Note 4A: Sale of Goods and Rendering of Services		
Rendering of services in connection with		
Related parties	28,473	389
External parties	-	6,650
Total sale of goods and rendering of services	28,473	7,039
GAINS		
Note 4B: Other Gains		
Resources received free of charge		
Financial statement audit services	30,000	15,850
Other	6,005	-
Total other gains	36,005	15,850
Note 4C: Reversals of Previous Asset Write-Downs and Impairments		
Revaluation increments	2,342	-
Total reversals of previous asset write-downs and impairments	2,342	-
REVENUE FROM GOVERNMENT		
Note 4D: Revenue from Government		
Appropriations		
Departmental appropriations	5,740,000	5,739,000
Total revenue from Government	5,740,000	5,739,000

Notes to and forming part of the financial statements

Note 5: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurements

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014

	Fair value measurements at the end of the reporting period using			
	Fair Value	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$	\$	\$	\$
Non-financial assets				
Leasehold improvements	261,700	-	-	261,700
Other property, plant and equipment	171,070	-	27,350	143,720
Total non-financial assets	432,770	-	27,350	405,420
Total fair value measurements of assets in the statement of financial position	432,770	-	27,350	405,420

Fair value measurements — highest and best use differs from current use for non-financial assets (NFAs)

The highest and best use of all non-financial assets are the same as their current use.

Note 5B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

Level 2 and 3 fair value measurements — valuation technique and the inputs used for assets and liabilities in 2014

	Category (Level 2 or Level 3)	Fair value \$	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets					
Other property, plant and equipment	Level 2	27,350	Market comparables	Sale prices of comparable assets	-
Other property, plant and equipment	Level 3	143,720	Depreciated replacement cost	Indicative percentage of new cost amounts/ budget quote for similar assets new from a supplier	-
Leasehold improvements	Level 3	261,700	Depreciated replacement cost	Construction costs of comparable leasehold improvements, lease term, inflation rates, and discount rates	-

1. No change in valuation technique occurred during the period.

2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

Recurring and non-recurring Level 3 fair value measurements — valuation processes

The entity procured valuation services from B&A Valuers and relied on valuation models provided by B&A Valuers. The entity tests the procedures of the valuation model at least once every 12 months. B&A Valuers provided written assurance to the entity that the model developed is in compliance with AASB 13.

Recurring Level 3 fair value measurements — sensitivity of inputs

The significant unobservable inputs used in the fair value measurement of the entity's property, plant and equipment are indicative percentages of new cost amounts, or similar new assets. The significant unobservable inputs used in the fair value measurement of the entity's leasehold improvements are construction costs of comparable leasehold improvements, the lease term, inflation rates and discount rates. Significant increases (decreases) in any of those inputs in isolation would result in a significantly higher (lower) fair value measurement.

Note 5C: Reconciliation for Recurring Level 3 Fair Value Measurements**Recurring Level 3 fair value measurements — reconciliation for assets**

	Non-financial assets		Total 2014 \$
	Other property, plant and equipment 2014 \$	Leasehold improvements 2014 \$	
Opening balance			
Total gains/(losses) recognised in net cost of services ¹	258,876	314,478	573,354
Total gains/(losses) recognised in other comprehensive income ²	(85,894)	(78,322)	(164,216)
Purchases	(1,912)	18,954	17,042
	-	6,590	6,590
Closing balance	171,070	261,700	432,770

PSR's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

1. Total gains/(losses) are presented in the Statement of Comprehensive Income
2. Total gains/(losses) are presented in the Statement of Comprehensive Income

Notes to and forming part of the financial statements

Note 6: Financial Assets

	2014	2013
	\$	\$
Note 6A: Cash and Cash Equivalents		
Cash on hand or on deposit	78,925	96,226
Total cash and cash equivalents	78,925	96,226
Note 6B: Trade and Other Receivables		
Good and services receivables in connection with		
Related parties	4,296	1,135
External parties	6,395	48,885
Total goods and services receivables	10,691	50,020
Appropriations receivable		
Existing programs	6,349,230	5,126,139
Departmental capital budget	1,572,513	1,213,073
Total appropriations receivable	7,921,743	6,339,212
Other receivables		
GST receivable from the Australian Taxation Office	9,989	23,988
Total other receivables	9,989	23,988
Total trade and other receivables (gross)	7,942,423	6,413,220
Less impairment allowance		
Goods and services	-	(43,885)
Total impairment allowance	-	(43,885)
Total trade and other receivables (net)	7,942,423	6,369,335
Trade and other receivables (net) expected to be recovered		
No more than 12 months	7,942,423	6,320,450
More than 12 months	-	48,885
Total trade and other receivables (net)	7,942,423	6,369,335
Trade and other receivables (gross) aged as follows		
Not overdue	7,942,423	6,364,335
Overdue by:		
More than 90 days	-	48,885
Total trade and other receivables (gross)	7,942,423	6,413,220
Impairment allowance aged as follows		
Overdue by:		
More than 90 days	-	43,885
Total impairment allowance	-	43,885

Movements in relation to 2014

	Goods and services \$	Other receivables \$	Total \$
Opening balance	(43,885)	-	(43,885)
Amounts written off	43,885	-	43,885
Closing balance	-	-	-

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)

Notes to and forming part of the financial statements

Note 7: Non-Financial Assets

	2014	2013
	\$	\$
Note 7A: Land and Buildings		
Leasehold improvements		
Fair value	261,700	394,442
Accumulated depreciation	-	(79,964)
Total leasehold improvements	261,700	314,478
Total land and buildings	261,700	314,478

Leasehold improvements were subject to revaluation in 2013–14.

The carrying amount of \$261,700 (2013: \$314,478) 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.

	2014	2013
	\$	\$
Note 7B: Property, Plant and Equipment		
Other property, plant and equipment		
Fair value	171,070	348,659
Accumulated depreciation	-	(89,783)
Total other property, plant and equipment	171,070	258,876
Total property, plant and equipment	171,070	258,876

Property, plant and equipment were subject to revaluation in 2013–14.

The carrying amount of \$171,070 (2013: \$258,876) was included in the valuation figures above.

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 2013–14, B&A Valuers conducted a full valuation of PSR's assets as at 30 June 2014. Assets on hand were revalued at the reporting date whilst additions subsequently purchased were excluded from the revaluation.

Revaluation increments at 30 June 2014 included \$18,954 for leasehold improvements, and \$7,718 for office equipment.

A net revaluation decrement of \$19,958 for computer equipment was expensed.

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment for 2014

	Buildings \$	Total land and buildings \$	Other property, plant & equipment \$	Total \$
As at 1 July 2013				
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 1 July 2013	314,478	314,478	258,876	573,354
Additions				
By purchase — cash additions	6,590	6,590	-	6,590
Revaluations recognised in other comprehensive income	18,954	18,954	7,718	26,672
Reversal of revaluation previously recognised in other comprehensive income	-	-	(9,630)	(9,630)
Reversal of impairments recognised in net cost of services			2,342	2,342
Depreciation expense	(78,322)	(78,322)	(56,230)	(134,552)
Impairments recognised in the operating result	-	-	(19,958)	(19,958)
Disposals				
Other	-	-	(12,048)	(12,048)
Net book value 30 June 2014	261,700	261,700	171,070	432,770
Net book value as of 30 June 2014 represented by:				
Gross book value	261,700	261,700	171,070	432,770
Accumulated depreciation and impairment	-	-	-	-
Net book value 30 June 2014	261,700	261,700	171,070	432,770

Note 7C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment for 2013

	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

	2014 \$	2013 \$
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Note 7D: Intangibles

Computer software		
Internally developed — in progress	13,560	-
Internally developed — in use	215,526	215,526
Purchased	219,363	207,478
Accumulated amortisation	(415,019)	(396,096)
Total computer software	33,430	26,908
Total intangibles	33,430	26,908

Intangible assets were assessed for impairment at 30 June 2014. No indicators of impairment were found for intangible assets (2013: \$0).

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

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles for 2014

	Computer software internally developed	Computer software purchased	Total
	\$	\$	\$
As at 1 July 2013			
Gross book value	215,526	207,478	423,004
Accumulated amortisation and impairment	(206,765)	(189,331)	(396,096)
Net book value 1 July 2013	8,761	18,147	26,908
Additions			
By purchase	13,560	11,885	25,445
Impairments recognised in the operating result	-	-	-
Amortisation	(5,298)	(13,625)	(18,923)
Disposals			
Other	-	-	-
Net book value 30 June 2014	17,023	16,407	33,430
Net book value as of 30 June 2014 represented by:			
Gross book value	229,086	219,363	448,449
Accumulated amortisation and impairment	(212,063)	(202,956)	(415,019)
Net book value 30 June 2014	17,023	16,407	33,430

Note 7E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles for 2013

	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

	2014	2013
	\$	\$
Note 7F: Other Non-Financial Assets		
Prepayments	36,498	37,554
Total other non-financial assets	36,498	37,554
Total other non-financial assets — are expected to be recovered in:		
No more than 12 months	36,498	37,554
Total other non-financial assets	36,498	37,554

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

Notes to and forming part of the financial statements

Note 8: Payables

	2014	2013
	\$	\$
Note 8A: Suppliers		
Trade creditors and accruals	214,410	370,389
Operating lease rentals	30,307	31,825
Total supplier payables	244,717	402,214
Suppliers expected to be settled		
No more than 12 months	219,982	371,907
More than 12 months	24,735	30,307
Total suppliers	244,717	402,214
Suppliers in connection with		
Related parties	3,196	112,768
External parties	241,521	289,446
Total	244,717	402,214
Settlement was usually made within 30 days.		
Note 8B: Other Payables		
Salaries and wages	81,802	58,821
Superannuation	13,890	7,049
Total other payables	95,692	65,870
Total other payables are expected to be settled in:		
No more than 12 months	95,692	65,870
Total other payables	95,692	65,870

Notes to and forming part of the financial statements

Note 9: Provisions

	2014	2013
	\$	\$
Note 9A: Employee Provisions		
Leave	543,936	413,952
Total employee provisions	543,936	413,952
Employee provisions expected to be settled		
No more than 12 months	190,494	123,257
More than 12 months	353,442	290,695
Total employee provisions	543,936	413,952
Note 9B: Other Provisions		
Provision for restoration obligations	82,000	83,960
Total other provisions	82,000	83,960
Other provisions are expected to be settled in:		
More than 12 months	82,000	83,960
Total other provisions	82,000	83,960
	Provision for	Total
	restoration	Total
	\$	\$
Carrying amount 1 July 2013	83,960	83,960
Amounts reversed	(2,840)	(2,840)
Unwinding of discount or change in discount rate	880	880
Closing balance 2014	82,000	82,000

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

Notes to and forming part of the financial statements

Note 10: Cash Flow Reconciliation

	2014	2013
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	78,925	96,226
Statement of financial position	78,925	96,226
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(4,794,563)	(4,317,294)
Add revenue from Government	5,740,000	5,739,000
Adjustments for non-cash items		
Depreciation / amortisation	153,475	180,672
Net write down of non-financial assets	37,006	-
Loss on disposal of assets	-	2,898
Finance costs	880	1,960
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(1,152,420)	(789,362)
(Increase) / decrease in prepayments	1,056	10,034
Increase / (decrease) in employee provisions	129,984	(174,202)
Increase / (decrease) in supplier payables	(154,293)	(416,279)
Increase / (decrease) in other payables	29,822	(29,635)
Net cash from (used by) operating activities	(9,053)	207,792

Notes to and forming part of the financial statements

Note 11: Contingent Assets and Liabilities

Quantifiable Contingencies

The Schedule of Contingencies reports no contingent liabilities in 2014 (2013: nil).

Unquantifiable Contingencies

At 30 June 2014, PSR did not have any unquantifiable contingencies (2013: nil).

Significant Remote Contingencies

At 30 June 2014 PSR did not have any significant remote contingencies (2013: nil).

Notes to and forming part of the financial statements

Note 12: Senior Executive Remuneration**Note 12A: Senior Executive Remuneration Expenses for the Reporting Period**

	2014	2013
	\$	\$
Short-term employee benefits:		
Salary	466,753	404,923
Performance bonuses	20,859	23,614
Other	84,152	93,455
Total short-term employee benefits	571,764	521,992
Post-employment benefits:		
Superannuation	62,859	57,223
Total post-employment benefits	62,859	57,223
Other long-term employee benefits:		
Annual leave accrued	46,515	43,869
Long-service leave	21,838	12,716
Total other long-term employee benefits	68,353	56,585
Total senior executive remuneration expenses	702,976	635,800

Notes:

- Note 12A is prepared on an accrual basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 12B).
- Note 12A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$195,000.

Note 12B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

	2014					
	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Average annual reportable remuneration¹						
Total reportable remuneration (including part-time arrangements):						
\$255,000 to \$284,999	1	217,299	19,786	17,687	23,615	278,387
\$345,000 to \$374,999	1	265,590	42,650	52,952	-	361,192
Total	2					
	2013					
	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Average annual reportable remuneration¹						
Total reportable remuneration (including part-time arrangements):						
\$195,000 to \$224,999	1	173,760	15,501	30,355	-	219,616
\$315,000 to \$344,999	1	236,760	40,504	55,150	-	332,414
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);
 - reportable employer superannuation contributions; and
 - exempt foreign employment income."
- 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.
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Note 12C: Other Highly Paid Staff

PSR did not have any other highly paid staff who received remuneration above \$195,000 in 2014 (2013:\$0).

Notes to and forming part of the financial statements

Note 13: Remuneration of Auditors

	2014	2013
	\$	\$

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	30,000	15,850
	30,000	15,850

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

Notes to and forming part of the financial statements

Note 14: Financial Instruments

	2014	2013
	\$	\$
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	78,925	96,226
Goods and services receivable	10,691	6,135
Total	89,616	102,361
Carrying amount of financial assets	89,616	102,361
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables — suppliers	244,717	402,214
Total	244,717	402,214

Note 14B: Fair Value of Financial Instruments

PSR does not carry any financial instruments at fair value.

Note 14C: 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 (2014: \$10,691 and 2013: \$6,135).

PSR had assessed the risk of the default on payment and had allocated \$0 in 2014 (2013: \$43,885) to an impairment allowance account. PSR managed its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, PSR 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
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash and cash equivalents	78,925	96,226	-	-
Goods and services receivable	10,691	1,135	-	-
Total	89,616	97,361	-	-

Ageing of financial assets that were past due but not impaired for 2014

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

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

Note 14D: 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 2014

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Payables — suppliers	-	219,982	-	24,735	-	244,717
Total	-	219,982	-	24,735	-	244,717

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

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

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

Note 14E: 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 statement of financial position.

Notes to and forming part of the financial statements

Note 15: Financial Assets Reconciliation

		2014	2013
		\$	\$
Financial assets	Notes		
Total financial assets as per Statement of Financial Position		8,021,348	6,465,561
Less: non-financial instrument components:			
Appropriations receivable	6B	7,921,743	6,339,212
Other receivables	6B	9,989	23,988
Total non-financial instrument components		7,931,732	6,363,200
Total financial assets as per financial instruments note		89,616	102,361

Notes to and forming part of the financial statements

Note 16: Appropriations

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

	2014 Appropriations							Appropriation applied in 2014 (current and prior years)	Variance ^(d)
	Appropriation Act		FMA Act			Total appropriation			
	Annual Appropriation ^(b)	Appropriations reduced	AFM ^(c)	Section 30	Section 31		Section 32		
	\$	\$	\$	\$	\$	\$	\$	\$	
DEPARTMENTAL									
Ordinary annual services ^(a)	6,196,000	-	-	-	135,065	-	6,331,065	(4,931,612)	1,399,453
Total departmental	6,196,000	-	-	-	135,065	-	6,331,065	(4,931,612)	1,399,453

Notes:

- Appropriations reduced under Appropriation Acts (No.1) 2013–14: 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.
- The 2013–14 appropriation revenue reported in the statement of comprehensive income includes a net reduction in appropriations of \$1,000. The appropriation will be formally reduced by the Finance Minister in 2014–15.
- There were no amounts advanced to the Finance Minister (AFM) during 2013–14 under Appropriation Acts (No.1) 2013–14: section 13.
- Departmental Appropriations were under spent by \$1,399,453 and includes equity injections of \$455,000 from Appropriation Act (No.1) — Capital Budget. The variance was mainly attributable to case related activities and the number of cases referred to the Professional Services Review in 2013–14, and postponing the implementation of key ICT systems until 2014–15.

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

	2013 Appropriations							Total appropriation	Appropriation applied in 2013 (current and prior years)	Variance ^(d)
	Appropriation Act		FMA Act			Section 32	Total			
	Annual Appropriation	Appropriations reduced ^(c)	AFM ^(b)	Section 30	Section 31					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
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:

- 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.
- There were no amounts advanced to the Finance Minister (AFM) during 2012–13 under Appropriation Acts (No.1) 2012-13: section 13.
- 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.

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

	2014 Capital Budget Appropriations				Capital Budget Appropriations applied in 2014 (current and prior years)			
	Appropriation Act		FMA Act		Payments for non-financial assets ³	Payments for other purposes	Total payments	Variance
	Annual Capital Budget	Appropriations reduced ²	Section 32	Total Capital Budget Appropriations				
	\$	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL								
Ordinary annual services — Departmental Capital Budget ¹	455,000	-	-	455,000	(95,560)	-	(95,560)	359,440

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 2013–14 under Appropriation Acts (No.1) 2013–14: section 13.
3. Payments made on non-financial assets include purchases of assets, and expenditure on assets which have been capitalised.

Table B (Cont'd): 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	Payments for non-financial assets ³	Payments for other purposes	Total payments	Variance
	Annual Capital Budget	Appropriations reduced ²	Total Capital Budget Appropriations				
	\$	\$	\$	\$	\$	\$	\$
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.

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

Authority	2014 \$	2013 \$
DEPARTMENTAL		
Appropriation Act (No. 1) 2013–14 ¹	1,808,452	-
Appropriation Act (No. 1) 2012–13	945,832	1,106,635
Appropriation Act (No. 1) 2011–12 ²	1,245,692	1,309,811
Appropriation Act (No. 1) 2010–11 ²	3,922,767	3,922,767
Cash balance	78,925	96,226
Total	8,001,668	6,435,439

The cash balance of \$78,925 represents unspent departmental appropriation from Appropriation Act (No.1) 2013–14 (2013: \$96,226 from Appropriation Act (No.1) 2012–13). Unspent departmental appropriation also includes a departmental capital budget of \$428,010 (2013: \$4,452).

1. The total amount for unspent departmental annual appropriations includes a reduction of \$1,000 that will be recognised in the 2014–15 Appropriation Acts.
2. Unspent appropriations will no longer be available to the Agency from 1 July 2014 as disclosed in Note 2.

Notes to and forming part of the financial statements

Note 17: Compensation and Debt Relief

	2014	2013
	\$	\$
Compensation and Debt Relief — Departmental		
No 'Act of Grace' expenses were incurred during the reporting period (2013: 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. (2013: None)	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2013: None)	-	-
No ex-gratia payments were provided for during the reporting period. (2013: 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. (2013: None)	-	-

Notes to and forming part of the financial statements

Note 18: Reporting of Outcomes

Note 18A: Net Cost of Outcome Delivery

	Outcome 1 ¹		Total	
	2014	2013	2014	2013
	\$	\$	\$	\$
Departmental				
Expenses	4,861,383	4,340,183	4,861,383	4,340,183
Own-source income	66,820	22,889	66,820	22,889
Net cost/(contribution) of outcome delivery	4,794,563	4,317,294	4,794,563	4,317,294

1. Outcome 1 is described in Note 1.1.

Notes to and forming part of the financial statements

Note 19: Net Cash Appropriation Arrangements

	2014	2013
	\$	\$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	1,118,795	1,602,378
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(153,475)	(180,672)
Total comprehensive income (loss) — as per the Statement of Comprehensive Income	965,320	1,421,706

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

Appendix 3

Freedom of information statement

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

Information on the PSR Agency's IPS can be accessed via the PSR website at 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.

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

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

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

DHS means the Department of Human Services, which administers the Medicare program and the Pharmaceutical Benefits Scheme. The Department of Human Services refers matters to the Professional Services Review for investigation.

Draft determination means the draft document containing the proposed action to be taken in a specific 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 the action that will be taken in a specific 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.

Overservicing 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 the 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 authorise or approve. This term is used when the Determining Authority is deciding whether an agreement with the Director will come into effect.

Review period means a period of no more than two years before 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.

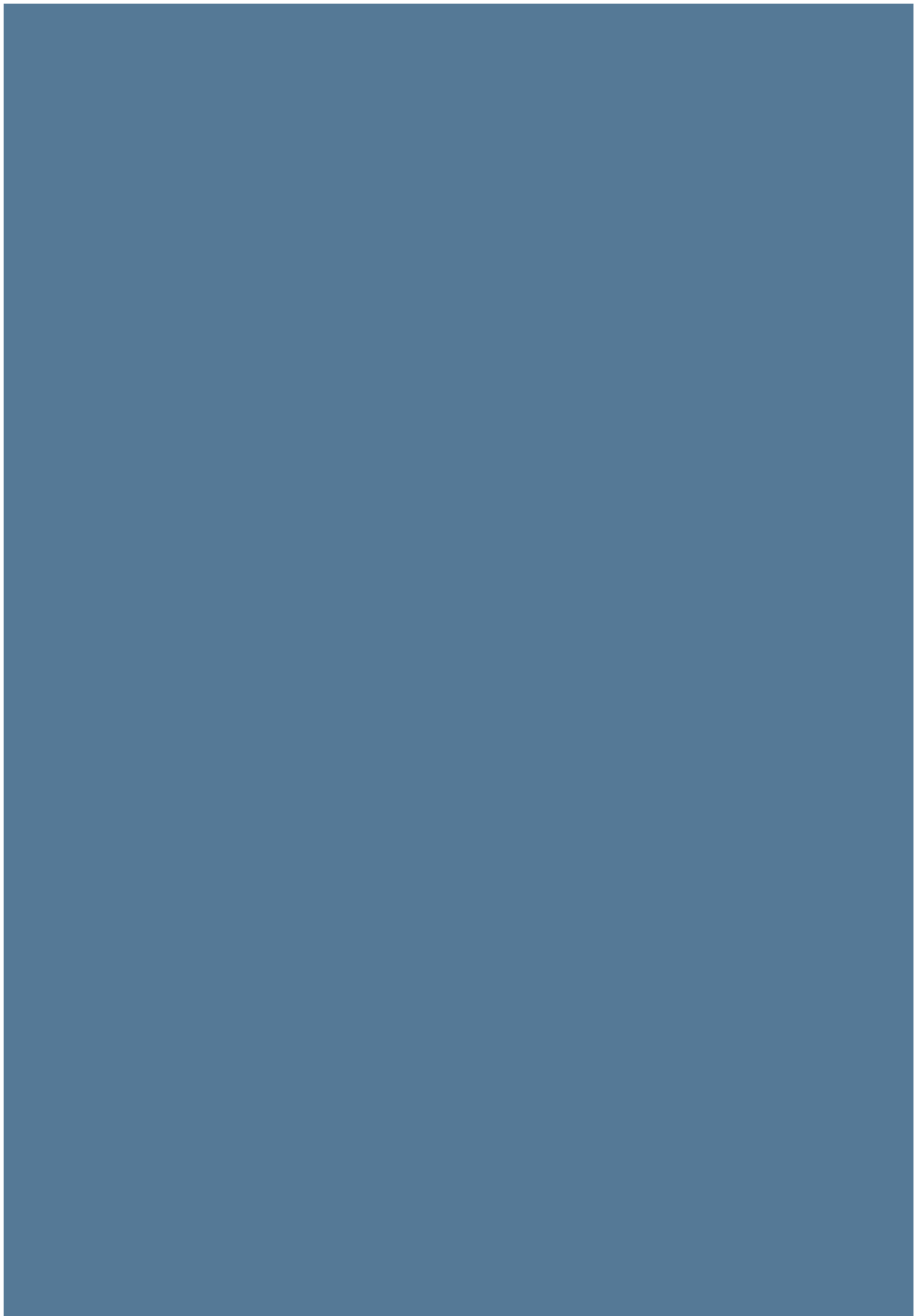
List of requirements

The following is a list of requirements for Australian Government annual reports, as approved by the Joint Committee of Public Accounts and Audit under Section 63 and 70 of the *Public Service Act 1999*.

Part of Report	Description	Requirement	Page Number
	Letter of transmittal	Mandatory	iv
	Table of contents	Mandatory	iv
	Index	Mandatory	92
	Glossary	Mandatory	87
	Contact officer(s)	Mandatory	iii
	Internet home page address and Internet address for report	Mandatory	iii
Review by DPSR			
	Review by Agency Head	Mandatory	vii–viii
Departmental Overview			
	Role and functions	Mandatory	1–3
	Organisational structure	Mandatory	1, 17–18
	Outcome and programme structure	Mandatory	2
	Where outcome and programme 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 programmes and contribution to outcomes	Mandatory	3–16
	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	3–16
	Trend information	Mandatory	3–16
	Factors, events or trends influencing departmental performance	Suggested	3–16
	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	27–28
	Discussion of any significant changes in financial results 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	32
Management and Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency complies with the 'Commonwealth Fraud Control Guidelines'.	Mandatory	iv
	Statement of the main corporate governance practices in place	Mandatory	17–22
	Senior management committees and their roles	Suggested	19–22
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	21
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	21
	Reports by the Auditor-General, a Parliamentary Committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	21
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	22–26
	Training and development undertaken and its impact	Suggested	25
	Statistics on staffing	Mandatory	23–24
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	24
	Performance pay	Mandatory	Not Applicable
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	27
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	27

Part of Report	Description	Requirement	Page Number
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	28
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	28
Exempt contracts	Contracts exempted from publication in AusTender	Mandatory	28
Financial Statements	Financial Statements	Mandatory	28
Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	25–26
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	28
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	29
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not Applicable
	Grant programmes	Mandatory	28
	Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms	Mandatory	26
	Information Publication Scheme statement	Mandatory	86
	Correction of material errors in previous annual report	If applicable, mandatory	Not Applicable
	Agency Resource Statements and Resources for Outcomes	Mandatory	32
	List of Requirements	Mandatory	89



Index

A

access clauses, ANAO, 28
accountability and management, 17–26
address and contact details, iii
 freedom of information, 86
administrative reviews, 2
advertising and market research, 28
agency overview, 1–2
agency resource statement, 32
agreements *see* negotiated agreements
allied health practitioners, 10
alternative medicines, 12–14
APS Values and Code of Conduct, 22
asset management, 27
assets, 38, 61–67
Audit Committee, 20, 21
audit, internal, 21
Auditor-General, 28
auditors, remuneration of, 74
AusTender, 28
Australian Health Practitioner Regulation Agency (AHPRA), 1
 referrals to, 4, 7
Australian Medical Association, 1
Australian National Audit Office (ANAO), 15, 28

B

budget, 27
business planning, 17–18

C

Case Management Unit, 18
cash flow, 40
Chronic Disease Dental Scheme, 10
chronic disease management items, 9–11
 80/20 rule, 11
 data on, 10
chronic fatigue syndrome, 14
chronic pain treatments, 12–13
classifications of staff, 23

clinical records, provision of, 1
committees *see* Professional Services
Review committees
consultants, 28
contact details *see* address and
contact details
continuing education requirements, health
practitioners, 15
Coote, Dr Bill (Director), vii–viii, 17
corporate governance, 17–18
Corporate Support Unit, 18
counselling directions, 6
court actions, 7, 8

D

decisions review, 7, 8
deliverables, 8
dental treatment, 10
Department of Health, 1
 chronic disease management publication, 11
 shared services, 19
Department of Human Services, 1, 7, 14
 re-referrals, 7
 referrals to, for suspected fraud, 4
 requests for review from, 4
Determining Authority
 draft and final determinations, 6–7
 referrals from Professional Services
 Review committees, 6
 timeframes for finalisation, 6
dietitians, 10
Director, 17, 18, 24
 introduction (agency), vii–viii
 no further action (section 91) decisions, 4, 5, 7
 referrals to Professional Services Review
 committees, 4, 6
disability reporting, 26
dismissed cases (no further action) *see* no
further action (section 91) decisions
disqualifications, partial and full, 5, 6

diversity, staff, 23
 doctors see health practitioners
 draft determinations, 4, 6–7

E
 ecologically sustainable development, 29
 educational standards, health practitioners, 15
 80/20 rule, 11
 employees see staff
 Enterprise Agreement 2012–14, 24
 environmental performance, 29
 equity, 38
 ethical standards, 21–22
 Executive Management Team, 19
 Executive Officer, 18
 exempt contracts, 28
 expenses, 27, 37, 55–56
 external review, 7
 external scrutiny, 21

F
 Federal Court matters, 4, 7, 8
 female staff, 23
 final determinations, 4, 6–7
 finalised matters, 4
 committee hearings and reports, 6
 determinations, 6
 negotiated (section 92) agreements, 5
 no further action (section 91) decisions, 5
 re-referral, 7
 timeframes for decisions, 7
 financial management, 27–29
 financial statements, 33–85
 focus groups see workshops and focus groups, staff
 fraud control, 20
 fraud, suspected, 4
 freedom of information, 86
 full-time staff, 23
 functions, 2
 future directions, 2

G
 gender of staff, 23
 glossary, 87–88
 governance see corporate governance

GP management plans, 10–11
 grants programs, 28

H

Health Insurance Act 1973, vii
 Health Practitioner Regulation National Law, 15
 health practitioners, 1
 80/20 rule, 11
 chronic disease management items, 9–11
 clinical notes, provision of, 1
 continuing education requirements, 15
 educational standards for, 15
 health care resources, use of, 9
 investigations of, 3–7
 servicing patterns, 11–12
 see also allied health practitioners
 human resources see staff

I

inappropriate practice, 3, 4–14
 and 80/20 rule, 11
 cases on hand, 4
 negotiated (section 92) agreements, vii, 5, 13
 Professional Services Review committee
 investigations of, 6
 statistics, 4
 income, 37, 57
 influenza vaccinations, staff, 26
 Information Publication Scheme, 86
 information technology see website
 infrared heat therapy and saunas, 13
 internal audit, 20, 21

J

judicial decisions and review, 7, 8

K

key performance indicators, 8

L

laser treatment, low-level, 13
 legal cases, 8
 legislative framework, vii
 liabilities, 38
 list of requirements, 89

M

male staff, 23
 management and accountability, 17–26
 market research, 28
 Medical Board of Australia, 13
 medical boards, referrals to, 4, 7
 Medical Services Committees of Inquiry, 16
 Medicare Benefits Schedule Book, 10, 11
 Medicare Benefits Scheme, 1–16
 80/20 rule, 11
 chronic disease management items, 9–11
 partial and full disqualifications, 5, 6
 participation review committees, 4
 repayment orders, 5, 6, 13
 and unorthodox practice, 12–14
 unusual treatments, 13
 see also inappropriate practice;
 rebates, Medicare; repayment orders
 migraine treatments, 12–13
 Minister for Health, 1

N

National Disability Strategy 2010–2020, 26
 National Registration and Accreditation Scheme, 15
 negotiated (section 92) agreements, 4, 5, 7
 re-referrals after, 7
 statistics on, 5
 no further action (section 91) decisions, 4, 5, 7
 non-English-speaking backgrounds, staff from, 23
 non-salary benefits, staff, 24
 number of staff, 23
 nurses, preparation of GP management plans by, 10–11

O

objectives, 1–2
 occupational health and safety *see* work health and safety
 online resources and information, 18, 29
 organisation chart, 18
 organisational structure, 17–18
 outcome, 2
 outlook, 2
 overview, 1–2

P

Panel *see* Professional Services Review Panel
 parliamentary committees, 15, 21
 part-time staff, 23
 participation review committee, Medicare, 4
 pathology services, 14
 pay *see* remuneration
 Performance Development Scheme, staff, 22, 25
 performance report, 3–16
 Pharmaceutical Benefits Scheme, 2
 inappropriate practice, 5
 physiotherapists, 10
 podiatrists, 10
 portfolio, 1
 portfolio shared services, 19
 Professional Services Review Advisory Committee, viii, 21
 Professional Services Review committees, 1–2
 establishment of, 6
 finalised reports, 4, 6
 GP management plans and team care arrangements, 10
 referrals to, 4, 6
 Professional Services Review Controls Framework, 21
 Professional Services Review Panel, vii, 1, 6
 members, 6, 24–25
 remuneration, 24
 Professional Services Review Scheme
 background to, 15–16
 establishing legislation, 1
 Provider Percentile Charts, 10
 publications, 29
 purchasing, 27

R

re-referrals, 7
 rebates, Medicare, 13
 for allied health professionals, 10
 chronic disease management, 10–11
 unorthodox and unusual practice, 12–13
 see also Medicare Benefits Scheme
 recurrent issues, 9–12
 referrals
 to AHPRA, medical boards or other bodies, 4, 7

- to DHS for suspected fraud, 4
- to Medicare participation review committees, 4
- to Professional Services Review committees, 6
- repeat, 7
- regulatory bodies, referral to, 8, 9
- remuneration
 - auditors, 74
 - senior executives, 72–73
 - staff, 24
- Remuneration Tribunal, 24
- repayment orders, 5, 6, 13
- reporting lines, 18
- reports, committee, 6
 - timeframes for finalisation, 7
- reprimands, 5, 6
- requests for review
 - new, 4
 - withdrawn or lapsed, 4
- resource statement, 32
- resources for outcomes, 32
- responsible minister, 1
- restructure, organisational, 25
- review decisions *see* decisions review
- Rich v Ingram*, 8
- risk management, 19–20
- Risk Management Improvement Report, 20
- role, 1

S

- salaries of staff, 24
- sanctions, 5, 6, 13, 16
- section 91 decisions *see* no further action (section 91) decisions
- section 92 agreements *see* negotiated (section 92) agreements
- senior executive remuneration, 72–73
- senior leaders, 19
- servicing patterns, health practitioner, 11–12
- shared services, 19
- staff
 - classifications, 23
 - diversity, 23
 - full-time and part-time, 23
 - gender, 23

- non-salary benefits, 24
- number, 23
- profile, 23
- remuneration, 24
- surveys, 17
- training and development, 25
- stakeholders, 1, 3
- subclinical hypothyroidism, 14
- surveys, staff, 17
- suspensions, 5

T

- team care arrangements, 10–11
- telephone number, iii
- threats to life or health of patients, 8, 9
- thyroid function tests, 14
- timeframes for finalisation, 7
 - committee reports, 7
 - determinations, 6, 7
 - negotiated agreements, 7
 - no further action (section 91) decisions, 5, 7
- training and development
 - Panel members, vii–viii
 - staff, 25
- Training Needs Analysis, staff, 25

U

- unorthodox practice, 12–14
- unusual treatments, 13

V

- vaccinations, staff, 26
- values, 1

W

- website, iii, 29
- work health and safety, 25–26
- workforce *see* staff
- workshops and focus groups, staff, 17
- workstation assessments, staff, 26



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