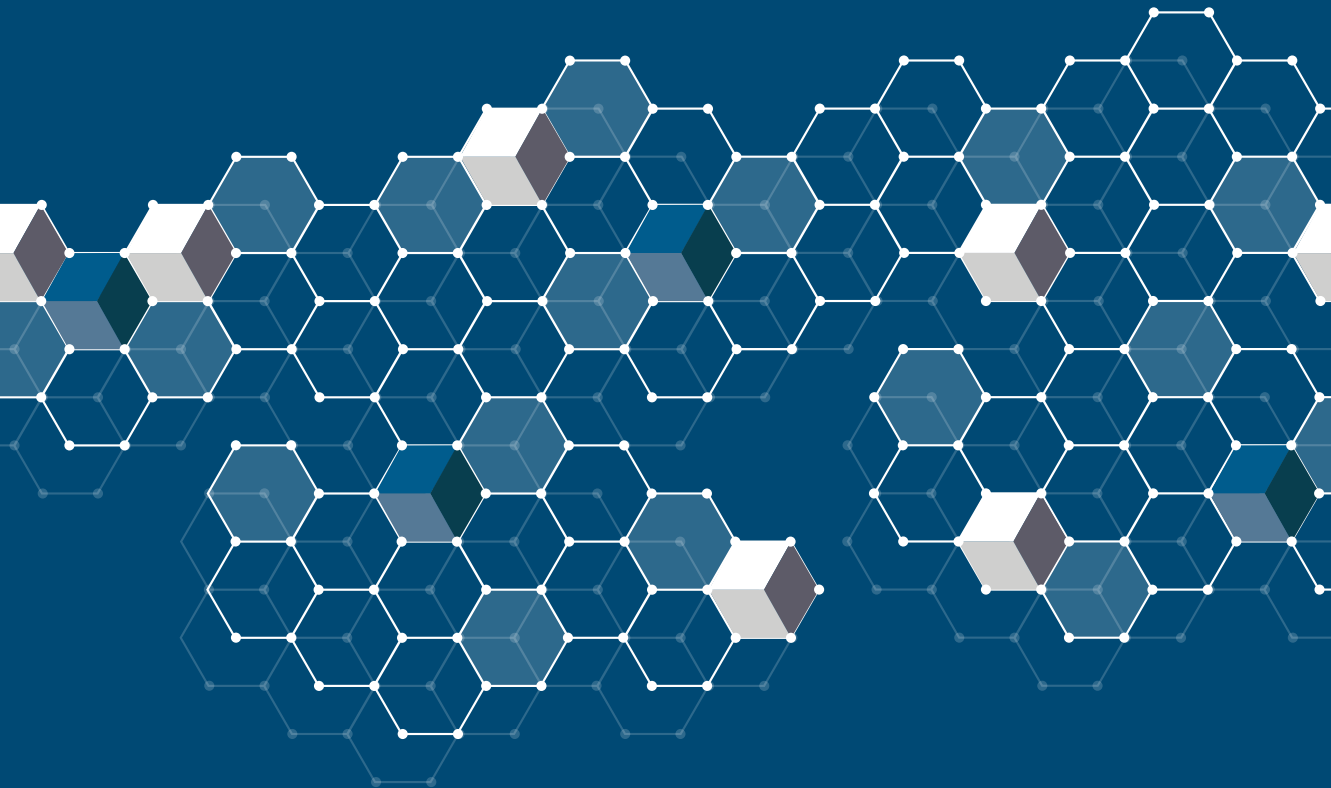




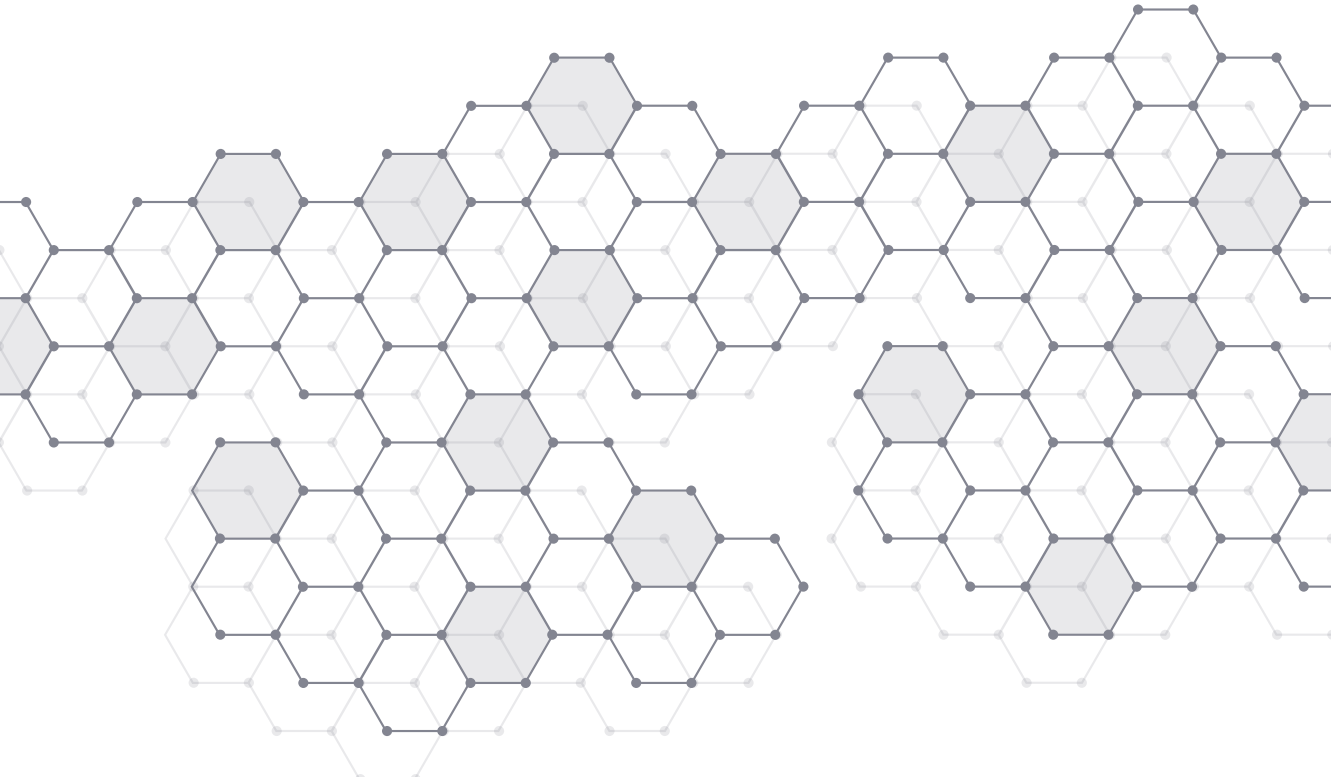
Australian Government
Professional Services Review

Professional Services Review Annual Report 2016–17



Professional Services Review

Annual Report 2016–17



© Commonwealth of Australia 2017

ISSN 13276514

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and enquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600.

Copies of this report can be obtained from:

Professional Services Review
PO Box 74
Fyshwick ACT 2609

Telephone: 02 6120 9100

Facsimile: 02 6120 9199

Internet: www.psr.gov.au

Online versions of the annual report are available on the [PSR website](http://www.psr.gov.au/publications-and-resources/annual-reports) (www.psr.gov.au/publications-and-resources/annual-reports)

Further information can be obtained from:

Executive Officer
Professional Services Review
Telephone: 02 6120 9100
Facsimile: 02 6120 9199

Letter of transmittal

The Hon. Greg Hunt MP
Minister for Health, 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 2017.

The report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, which requires me to provide you with a report to present to the Parliament. The report reflects the *Requirements for annual reports* approved by the Joint Committee of Public Accounts and Audit under sections 63 and 70 of the *Public Service Act 1999*.

The report includes the Professional Service Review Agency's audited financial statements, as required under sections 42 and 43 of the *Public Governance, Performance and Accountability Act 2013*.

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 Framework.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Julie Quinlivan', with a long horizontal flourish extending to the right.

Professor Julie Quinlivan
Director of Professional Services Review

October 2017

Contents


Letter of transmittal	iii
Director's introduction	ix
Professional Services Review in 2016–17	x
Conclusion	xii
1 Agency overview	1
The Professional Services Review Scheme	1
About the Professional Services Review Agency	1
Our stakeholders	1
Agency and scheme objectives	2
Agency outcome	2
PSR Agency delivery of outcome	3
The future	3
2 Performance statement	4
Entity purpose	4
Protecting against inappropriate health care practice	4
Maintaining professional support for PSR	5
Professional Services Review Agency performance	5
New referrals from the Chief Executive Medicare	5
Cases in which no further action was taken	7
Negotiated agreements	7
PSR Panel and peer review Committees	7
The Determining Authority	8
Re-referrals	8
Referrals to medical boards and other bodies	8
Judicial review	8
Performance against Portfolio Budget Statements 2016–17	9
Performance criteria	9
Quantitative deliverables	9
Qualitative deliverables	9

Director's comments	12
Practitioners referred to PSR in 2016–17	13
MBS Chronic Disease Management items	13
Practice arrangements	14
Specialists and non-medical practitioners	14
Urgent after-hours services	15
Legal issues	16
Summary	17
3 Management and accountability	18
Structure and organisation	18
Corporate governance and business planning	18
Portfolio shared services arrangements	20
Executive management team	20
Identifying and managing risk	21
Fraud control	22
External scrutiny	22
Audit Committee	23
Ethical standards	23
Management of human resources	24
Australian Public Service staff	24
Enterprise agreement and Australian Workplace Agreements	25
Non-salary benefits	26
Performance Pay	26
Holders of full-time and part-time public office	27
Training and development	27
Work health and safety	28
Disability reporting mechanisms	28
Accommodation	28

4 Financial performance	29
Purchasing	29
Asset management	29
Consultants	30
Australian National Audit Office access clauses	30
Exempt contracts	30
Procurement initiatives to support small business	30
Advertising and market research	31
Grants programs	31
Ecologically sustainable development and environmental performance	31
Publications	31
Appendices	33
Appendix 1:	
Professional Services Review’s resource statement and outcome summary 2016–17	34
Appendix 2:	
Financial statements	35
Independent audit report	36
Statement by the Accountable Authority and Chief Financial Officer	38
Appendix 3:	
Freedom of information statement	70
Contact officer	70
Appendix 4:	
Statutory Appointments	71
Glossary	74
List of requirements	76
Index	83



Director's introduction



The Professional Services Review Agency (PSR) was established in 1994. The part of the *Health Insurance Act 1973* that establishes the PSR Scheme defines the basic objects as protecting 'patients and the community in general from the risks associated with inappropriate practice' and protecting 'the Commonwealth from having to meet the cost of services provided as a result of inappropriate practice'.

PSR achieves its objects through the process of peer-review. Committees of peers are established to review referred practitioners' practices. The Director appoints the practitioners who will provide peer review in a particular Committee from the membership of the PSR Panel. The PSR Panel is a group of multidisciplinary clinicians who have been appointed by the Minister for Health following a rigorous appointment process that involves formal application, interview and consultation with relevant professional bodies including the Australian Medical Association (AMA).

Legislation empowers PSR to require practitioners to provide a random sample of clinical records. These records are confidentially reviewed by a Committee of peers who determine if practice was inappropriate. Under the PSR Scheme, substantial sanctions can be imposed on practitioners who are found to have engaged in inappropriate practice. These sanctions include repayment of Medicare benefits; the amount to be repaid 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 for up to three or five years.

If concerns regarding the health, conduct or performance of a practitioner become apparent during PSR investigations, legislation empowers the Director to refer such practitioners to relevant professional boards, and state and territory health complaints bodies, through the Australian Health Practitioner Regulation Agency (AHPRA).

Professional Services Review in 2016–17

Appointments of new Director, Deputy Directors and PSR Panel Members

On 22 December 2016, I was appointed by the Minister for Health as the new Director. I acknowledge Dr Bill Coote, the former Director, and Dr David Rankin, who was acting Director during the appointment process, for their diligence in managing the agency. Dr Coote served as Director for many years and managed PSR during a period of evolution.

This year also saw the end of all terms of appointment of existing Deputy Directors and PSR Panel members. Following a comprehensive application and consultation process, that involved communication with the Australian Medical Association and relevant Colleges, the Minister for Health appointed new Deputy Directors and PSR Panel members. Appointees are listed in Appendix 4. Training was held for new PSR Panel members in June 2017 in Sydney and Melbourne. The training sessions addressed PSR Committee processes, with a focus on ensuring that practitioners under review are accorded due process. Participants participated in mock Committee hearings.

Increased recoveries

The highlight of the 2016–17 year was the significant increase in recoveries achieved by PSR. This means that for the first time since the inception of the scheme, PSR recovered more in funds than its Treasury appropriation. Table 1 summarises recoveries from s. 92 agreements made by the Director of PSR and through PSR Committees.

Table 1. Treasury appropriation and PSR recoveries¹

Year	Treasury Appropriation	Recoveries from PSR Committees	Recoveries from Director s. 92 agreements	Total recoveries \$
2016–17	5,131,000	1,940,685	8,466,884	10,407,569
2015–16	5,528,000	2,957,291	1,630,000	4,587,291
2014–15	5,688,000	1,047,763	1,568,344	2,616,107
2013–14	5,740,000	712,524	1,603,092	2,315,615
2012–13	5,739,000	477,164	1,090,272	1,567,437

¹ Recoveries represent repayments to the Commonwealth from final determinations. PSR only has a role in raising debts to the Commonwealth while the Department of Health is responsible for collecting debts owed to the Commonwealth.

Increased referrals for regulatory and major non-compliance concerns

As a new Director, one focus was to increase awareness of patient safety and quality. All reviewers contracted to review case notes were asked to be aware of patient safety and of major non-compliance (fraud) concerns.

This process has seen an increase in Director’s referrals, with 15% of referred practitioners being referred to a regulatory body for possible patient safety concerns and 5% referred for possible major non-compliance concerns. Referrals are summarised in Table 2 below.

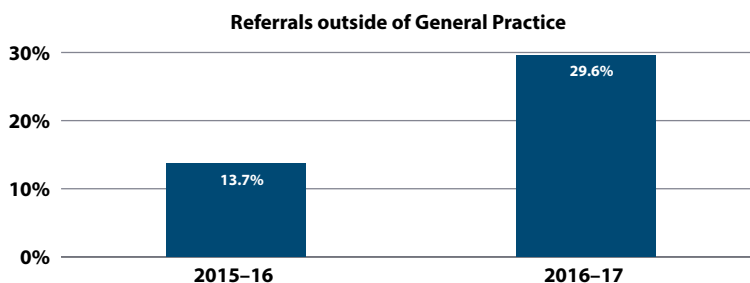
Table 2. Referrals to AHPRA and Major Non-Compliance Unit

Year	New Referrals	Referral to AHPRA/Board N (%)	Referral for suspected fraud N (%)
2016–17	81	12 (15%)	4 (5%)
2015–16	80	5 (6%)	0 (0%)
2014–15	62	5 (8%)	0 (0%)
2013–14	44	4 (9%)	0 (0%)
2012–13	45	0 (0%)	0 (0%)

Diversity in referrals

Another key point of change in the year was the increase in the diversity of referrals received by PSR. Traditionally, PSR has focussed on general practitioners. However, in 2016–17, nearly one third of all referrals related to practitioners who were not general practitioners (Figure 1). PSR received referrals for practitioners who were specialist medical practitioners, other medical practitioners, midwives and allied health practitioners.

Figure 1. Percentage of practitioners referred to PSR who were not general practitioners



Key item numbers of concern

Chronic disease management items, urgent after hours consultations, ordering sets of pathology or imaging tests for 'screening' purposes and prescribing Schedule 8 medications remained common concerns in 2016–17. These issues are discussed in more detail in the Director's comments of the Performance statement (section 2).

Administrative issues with PSR

Significant administrative issues resolved in the year were:

- Securing a new lease for premises;
- Adopting electronic communications, with plans for a PSR secure 'portal' to facilitate PSR Committee members' input and enable easier handling of medical records for review;
- Reviewing privacy, data safety and risk management plans; and
- Successfully defending two Federal Court challenges.

Consultation with the Professions

As a new PSR Director, I also met with many College and allied health organisational Presidents and/or Chief Executive Officers. I gave several talks at conferences, including a talk to Medicare Compliance Unit staff. An abstract on PSR peer review and how it leads to improved participation in continuing medical education by reviewed practitioners, has been submitted for presentation at an international meeting on medical education.

The PSR Advisory Committee (PSRAC) is an important means of consultation. It draws its membership from the Department of Health, AMA and PSR. The Advisory Committee met in 2016–17 and discussed broad policy and operational issues.

Conclusion

As Director, I would like to acknowledge the professionalism and commitment of all PSR staff, especially Mr Neil Dwyer, our senior Counsel, who retired this year, and Mr Bruce Topperwien who was appointed as Executive Officer, replacing Ms Patricia O'Farrell.

I would also like to acknowledge the PSR Panel members. Without the dedication of these practitioners, PSR could not function.

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



Professor Julie Quinlivan
Director of Professional Services Review

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 high quality and integrity and in maintaining the confidence of the Australian public in the health practitioners working within the health system. Financial loss to the community as a result of inappropriate practice is also minimised.

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 its performance, PSR has defined its own values and behaviours, which are underpinned by the Australian Public Service (APS) Values. PSR's values and behaviours of being fair, transparent and professional address the unique aspects of its business and environment, and guide PSR in performing its role.

Our stakeholders

During 2016–17, PSR continued to work closely with key stakeholders to improve its operations. PSR stakeholders include the Department of Health, the AMA and other relevant professional organisations. During 2016–17, PSR engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme.

Agency and scheme objectives

The role and functions of PSR are set out in Part VAA of the *Health Insurance Act 1973* (the Act), which establishes the PSR Scheme. Section 79A of the Act states that:

The object of this Part is to protect the integrity of the Commonwealth Medicare benefits, dental 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 includes a definition of ‘practitioner’, which, together with the *Health Insurance (Professional Services Review—Allied Health and Others) Determination 2012*, lists the categories of medical, midwifery, nurse practitioner and allied health 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 funding is appropriated on an outcomes basis.

The Australian Government, through PSR, aims to safeguard the public against the risks and costs of inappropriate practice by health practitioners. PSR works with government, medical and allied health care regulatory bodies, and professional organisations to protect the integrity of the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS).



PSR OUTCOME

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

PSR Agency delivery of outcome

The PSR Scheme safeguards the integrity of the Medicare program and Pharmaceutical Benefits Scheme from:

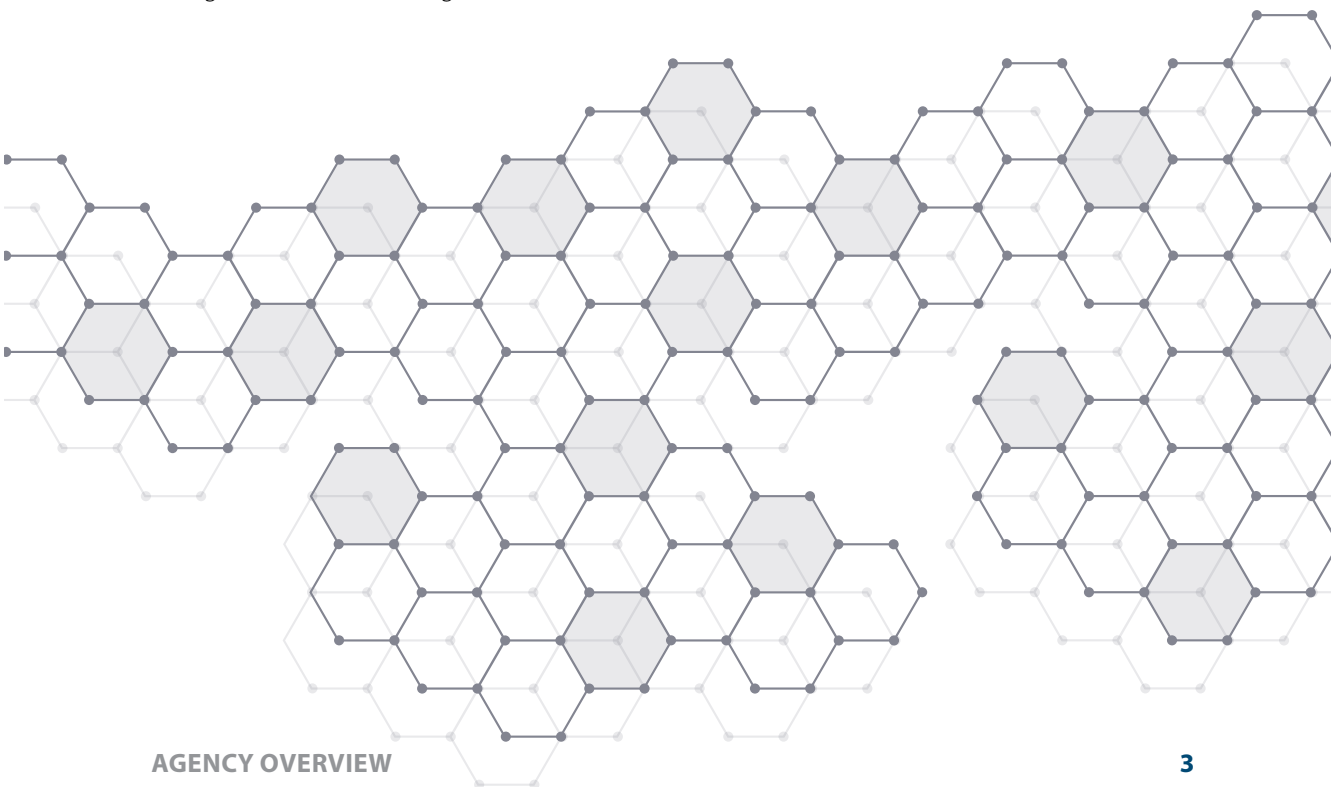
1. inappropriate practice by ensuring that the Commonwealth-funded services delivered by practitioners are clinically relevant
2. the consequences of inappropriate practice by ensuring that payments to claimants are made in accordance with the regulations for the Medicare and Pharmaceutical Benefits schemes.

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 services review process. Comprehensive reviews were conducted in 1999 and 2006 by government and key stakeholders. 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 reviews. It continues to strengthen its governance processes and build its capacity to deliver a rigorous peer review scheme that affords procedural fairness to practitioners, and meets the outcome of protecting the integrity of the Medicare and Pharmaceutical Benefits schemes.


The future

As the MBS becomes more complex and the range of health professions whose services attract Medicare benefits expands, PSR must maintain the organisational agility required to meet these changes and future challenges.





2 Performance statement



This performance statement is prepared in accordance with paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the 2016–17 financial year and accurately presents PSR’s performance in accordance with subsection 39(2) of the PGPA Act.

Entity purpose

PSR’s purpose is to protect the integrity of the Australian Government’s Medicare and Pharmaceutical Benefits programs, and to safeguard the Australian public from the cost and risk of inappropriate practice. In so doing, PSR is contributing to Outcome 4 of the Portfolio Budget Statements of the Australian Government’s Health portfolio.

The PSR Scheme is funded to ensure that requests by the Chief Executive Medicare to investigate suspected cases of inappropriate practice are reviewed and, if necessary, examined by Committees of the practitioners’ peers.

PSR’s program aims to protect against inappropriate practice and maintain professional support for PSR.

Protecting against inappropriate health care practice

During the 2016–17 reporting period, PSR continued to:

- investigate health care professionals
- refer matters to Committees
- progress PSR Committee hearings
- determine sanctions and consider ratification of negotiated agreements through PSR’s Determining Authority
- 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 2016–17, the new Director of PSR engaged with a broad range of stakeholders in relation to the PSR Scheme. These stakeholders included:

- Australian College of Physiotherapists
- Australasian College of Dermatologists
- Australia & New Zealand College of Anaesthetists
- Royal Australasian College of Physicians
- Royal Australasian College of Surgeons
- Royal Australian & New Zealand College of Obstetricians & Gynaecologists
- Royal Australian College of General Practitioners
- Royal Australasian College of Dental Surgeons
- Royal Australian & New Zealand College of Psychiatrists
- Australian College of Midwives
- Australian College of Rural & Remote Medicine
- Royal College of Pathologists of Australasia
- Royal Australian & New Zealand College of Radiologists
- Australian Medical Association

Professional Services Review Agency performance

The following sets out PSR's performance criteria and provides details of its results for activities undertaken during 2016–17. This included work on the 86 cases already on hand at the commencement of the reporting period, and the 81 cases that were received during 2016–17. A total of 78 cases were completed and, at the end of the reporting period, 89 cases had not been finalised and were in various stages of completion.

New referrals from the Chief Executive Medicare

The Chief Executive Medicare sent 81 requests in 2016–17. This figure represents about 60% more cases than the long term historical annual average for the agency.

In 2016–17, PSR completed 78 cases. Of these, 10 were the subject of a decision by the PSR Director to take no further action, one case was closed under s. 106GA (2), 61 were settled by negotiated agreements that were subsequently ratified by the Determining Authority (thereby becoming effective), and six resulted in final determinations by the Determining Authority that became effective during the reporting period. The six final determinations included two which had been the subjects of applications for judicial review in the Federal Court and on appeal to the full Federal Court.

No cases resulted in a finding by a PSR Committee of no inappropriate practice. During the reporting period, 13 cases were referred by the PSR Director to a Committee of peers.

Table 3 compares PSR’s case statistics for 2016–17 with those of the previous reporting period.

Table 3: PSR’s case statistics, 2016–17 and 2015–16

Action	2016–17	2015–16
Requests received from Department of Health	81	80
Requests by Department of Health to review a practitioner with a previous effective determination for a second or subsequent time	7	13
No further action	10	24
Requests withdrawn or lapsed	0	0
Referrals from the PSR Director to new PSR Committees	13	12
Committees in progress	18	19
Committee reports finalised	13	7
Reports finding inappropriate practice	13	7
Reports finding no inappropriate practice	0	0
Committee matters ceased	1	0
Referrals to medical boards or AHPRA	15 ^a	5
Referrals to Chief Executive Medicare for suspected fraud	4	0
Negotiated agreements ratified and effective	61	18
Draft determinations made	6	9
Final determinations made	4	8
Final determinations effective	6	7
Cases on hand at 30 June ^b	89	86 ^c

AHPRA = Australian Health Practitioner Regulation Agency; PSR = Professional Services Review

a 15 referrals were in respect of 12 practitioners.

b As PSR receives referrals from Chief Executive Medicare throughout the year, case data cannot be reconciled within a 12-month period.

c The previous year’s annual report incorrectly indicated that 88 cases were on hand at 30 June 2016.

Cases in which no further action was taken

The Director can, after considering all the relevant material, decide to take no further action under s. 91 of the Act.

The Director took no further action in 10 of the 78 cases completed in 2016–17. This represents 13% of all matters completed in the year. The cases involved nine general practitioners and one psychiatrist.

Negotiated agreements

Under s. 92 of the Act, the Director and the practitioner under review can enter into a negotiated agreement which must include acknowledgement by the practitioner that they have engaged in inappropriate practice, and include specified action such as a reprimand, repayment of some or all of the Medicare benefit received, and total or partial disqualification from participating in the MBS or PBS.

In 2016–17, 61 negotiated agreements became effective. Outcomes of these negotiated agreements include:

- repayment orders totalling \$8,466,883 from 58 cases
- partial disqualification in 25 cases.

The practitioners concerned included general practitioners, other medical practitioners, midwives and specialists. Repayments ranged from \$17,000 to \$1,100,000, with 33 agreements involving repayments of \$100,000 and above.

PSR Panel and peer review Committees

Under s. 93(1) of the Act, the Director may establish a PSR Committee and refer a person under review to the Committee for investigation. The Committee then determines whether the person has engaged in inappropriate practice in providing the services specified in the Director's referral.

Members of peer-review Committees are drawn from a PSR Panel of practitioners (Appendix 4).

The PSR Panel comprises health professionals from a range of professions, specialities, backgrounds and practice locations: 12% practise in inner regional areas, and 5% practise in outer regional areas. Women comprise 37% of the PSR Panel.

During 2016–17, the Director established 13 PSR Committees. Of the 13 practitioners referred to a PSR Committee, eight were general practitioners, one was an other medical practitioner and four were specialists.

At the end of the reporting period, all of the PSR Committees established in 2016–17 were still in progress. Committee hearings had been held for 12 cases. Thirteen Committee final reports had been completed, and all contained findings of inappropriate practice.

The Determining Authority

On 5 May 2016, the Minister for Health appointed the following members to the Determining Authority for two-year terms starting on 22 May 2016: Dr Mary Cohn (chair), Dr Robert Menz, Dr Jennifer Thomson and Ms Sharon Flynn. In 2016–17, Mr Stuart Macfarlane, Ms Susan McDonald, Mr Paul Murdoch and Associate Professor Neil Peppitt were also appointed to the Determining Authority.

In 2016–17, the Determining Authority made six draft determinations and four final determinations following PSR Committee report findings of inappropriate practice.

During 2016–17, six final determinations became effective. The directions made by the Determining Authority were:

- reprimand and counselling in all cases
- partial disqualification from Medicare benefits in three cases, for between 6 and 24 months, and 24 months full disqualification for one case
- repayment of Medicare benefits, ranging from \$78,556 to \$1,129,167 (totalling \$1,431,500).

Re-referrals

In 2016–17 the Chief Executive Medicare made seven requests to PSR to review practitioners who had previously been referred to, and reviewed by the Director of PSR, and had an effective negotiated agreement or determination. At 30 June 2017, three of these cases were still under review, three had resulted in negotiated agreements and one had been referred to a Committee. PSR continues to work with delegates of the Chief Executive Medicare located in the Health Provider Compliance Division of the Department of Health 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 PSR 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 2016–17, the Director made 15 referrals of practitioners to AHPRA, medical boards or other bodies. This marks a three-fold increase on referrals in the previous financial year.

Judicial review

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

Two actions involving PSR matters that had commenced in previous years were determined in the Federal Court during 2016–17, one by the Full Federal Court, and the other by a single judge of the Federal Court. Both of those matters were determined favourably to PSR.

A further matter was commenced in the Federal Court in 2016–17, and is scheduled to be heard by a single judge of the Federal Court in September 2017.

Performance against Portfolio Budget Statements 2016–17

Performance criteria

The quantitative key performance indicators specified for PSR in the Portfolio Budget Statements 2016–17 were:

Table 4: Protecting against inappropriate health care practice

Quantitative performance criteria	2016–17 Target	2016–17 Actual
Percentage of reviews by the Director of PSR finalised within 12 months	100%	100%
Total number of matters finalised ^a	50	78
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 no further actions under s. 91 of the Act, negotiated agreements under s. 92 of the Act and final determinations resulting from a Committee hearing. The figure excludes cases that have lapsed under s. 94 of the Act.

In 2017–18, PSR will further strengthen the deterrent effect of the PSR Scheme by continuing to refer cases of practitioners who may pose a threat to the life or health of a patient to regulatory bodies for further action. The PSR will also refer to the major non-compliance unit any practitioner where a serious compliance concern is generated.

Quantitative deliverables

PSR continued to act on referrals from the Chief Executive Medicare during 2016–17, completing 78 matters.

Qualitative deliverables

The qualitative key performance indicators specified in PSR’s Portfolio Budget Statements 2016–17 are shown in Tables 5 and 6 (overleaf).

Table 5: Protecting against inappropriate health care practice

Qualitative performance criteria	2016–17 Reference point or target
The Director of PSR will review the provision of services by practitioners referred by Medicare and where appropriate refer the practitioner to a PSR Peer Review Committee.	PSR Committees will be convened and will conduct hearings in a timely manner ensuring that practitioners being reviewed by their peers are afforded procedural fairness in each stage of the hearing process.
Positively influence health care professional behaviour.	Analysis of available information demonstrates a positive change in health care professional behaviour by those who have been subject to a review under the PSR Scheme.
Professional bodies actively engaged in consultation.	Professional bodies actively engaged in the process for appointments to the PSR Panel, and PSR receives the required number of nominees to ensure broad professional representation on the PSR Panel.

Table 6: Maintaining professional support for PSR

Qualitative performance criteria	2016–17 Reference point or target
PSR will engage with Governments and relevant professional and regulatory bodies to discuss the nature and cause of inappropriate practice to reduce these behaviours.	Actively engage with stakeholders to provide information on the nature and cause of inappropriate practice through a variety of avenues.

Submissions made by practitioners reviewed by PSR indicate that a great majority made positive changes to their practice as a result of the review process. In most cases reviewed during 2016–17, inappropriate practice involved inadequate clinical notes, failure to comply with the particular requirements of the MBS items billed to Medicare, unacceptably high numbers of service provision, pathology ordering or prescribing concerns. Practitioners who were reviewed frequently indicated that they accepted the need to change their practices and were able to demonstrate practical measures undertaken to achieve the required improvements. This was the case for both practitioners who were referred to Committees under s. 93 of the Act and practitioners who entered into voluntary agreements under s. 92.

The AMA and other relevant organisations were consulted, as required by s. 84, 85 and 106ZPB of the Act, as part of the process of appointing and re-appointing the membership of the PSR Panel and the Determining Authority in 2016–17.

Performance criteria set out in the PSR Corporate Plan include:

- timely case management of practitioners, who are the subject of requests from the Chief Executive Medicare
- engagement with government, and relevant professional and regulatory bodies to ensure peer support and awareness
- continuing engagement with stakeholders to ensure their understanding of PSR's role and activities
- reviewing PSR's internal operations to ensure minimal burden to the health industry while ensuring the integrity of the Medicare system.

Throughout 2016–17, all cases were managed to ensure that deadlines required by the process set out in the legislation were met. The Case Management Unit within PSR met on a regular, weekly basis with the Director to review the status of all current cases, whether at the initial PSR review stage of the process or at the Committee or Determining Authority stages. The case management software was upgraded and refined, which made it easier to provide reports for critical dates.

The Director and the PSR executive team met regularly with the Health Provider Compliance Division in the Department of Health. These meetings enabled the Director to provide feedback and comments to the senior officials who advise the Minister for Health on Medicare issues, including inappropriate practice.

In the course of reviewing details of the provision of services by practitioners, the Director consulted with relevant experts in the various colleges and professional organisations. This engagement enabled those consulted to be apprised of the nature, extent and circumstances of inappropriate practice across the health industry.

During 2016–17, PSR's Case Management Unit was reviewed and staff subsequently recruited to ensure that it has the necessary capability to support the Director, Committees and the Determining Authority in delivering the PSR Scheme.

The leaders of the case teams are Principal Legal Officers with significant experience in the practice of administrative law. They are supported by APS 6 legal and paralegal staff. This has enabled greater focus and emphasis on matters such as the provision of procedural fairness, a technical area of administrative law designed to ensure practitioners are aware of the matters being raised against them and that the peer-review process is conducted impartially.

A further advantage of increasing the legal expertise in the Case Management Unit is that legally qualified case management staff are more readily able to deal professionally with the lawyers acting for practitioners under review.

Director's comments

Medicare, Australia's universal, tax-funded medical insurance system, was established in 1984. The scheme is administered and financed by the Australian Government. In 2016–17, Medicare paid subsidies of \$22 billion for 394.3 million medical services for the Australian population of over 24 million people. Subsidies are based on around 5,000 services and fees listed in the MBS.

The Australian Government is undertaking a major review of all items in the MBS, and reviewing financing arrangements for primary care and general practice. The government has also indicated that it wishes to review compliance by practitioners with Medicare rules and regulations.

The Department of Health has responsibility for monitoring compliance of practitioners who provide services under Medicare and the Pharmaceutical Benefits Scheme. It undertakes a variety of compliance activities such as random audit activities, and also investigates suspected fraud and other criminal activity.

The Department of Health's professional review staff assess unusual patterns of practice that become apparent through data analysis of Medicare payment patterns. The Department's medical officers engage with and interview several hundred practitioners each year regarding their billing patterns; fewer than 100 practitioners, out of around 85,000 whose services attract Medicare payments, are referred to PSR each year.

The Medicare system operates on the basis of a 'clinically relevant service', defined in the legislation establishing the scheme as:

... a service rendered by a medical practitioner that is generally accepted in the medical profession as being necessary for the appropriate treatment of the patient to whom it is rendered.

PSR was established in 1994 and provides for peer-review Committees to assess concerns of inappropriate practice. The touchstone of PSR reviews is 'inappropriate practice', which is defined in s. 82 of the *Health Insurance Act 1973* as conduct in connection with rendering or initiating services such that a Committee could reasonably conclude would be unacceptable to the general body of the practitioner's peers. This is a broad test applied by expert Committees constituted with peers drawn from the same speciality or profession of a practitioner under review.

Medicare detects suspected cases of inappropriate practice through analysis of practitioners' billing activity. The kinds of conduct that may ground a referral to PSR include:

- rendering statistically abnormal volumes of total and daily services (such as practitioners who are assigned to the 99th percentile for the rendering of a particular item or daily servicing volume), and the rendering of services that appear clinically irrelevant;
- initiating a high volume of diagnostic imaging and pathology services, such that it appears those services may have been rendered in circumstances where they were clinically irrelevant;

- unusual and/or clinically concerning prescribing habits, such as the prescribing of a high volume of drugs of addiction; or
- any other atypical practice.

The matters referred to PSR by Medicare are those that cannot be resolved or explained after investigation by the Department's medical and professional staff. Under the Act, PSR has the power to require practitioners to provide clinical records to assist PSR's review of their practice.

Practitioners referred to PSR in 2016–17

During 2016–17, as a consequence of structural changes in recent years (including the engagement of legally qualified case managers and additional principal legal officers), the Agency was able to efficiently accommodate the significant increase, compared with the previous few years, in the number of referrals (including matters of increased complexity) from the Chief Executive Medicare and finalise significantly greater numbers of matters.

This increase is detailed in Table 3 on page 6 of this report. The number of specialists referred by Medicare was higher than the number in recent years. Referrals included specialists in radiology, neurology, ophthalmology, nuclear medicine, dermatology, otorhinolaryngology, psychiatry, and respiratory and sleep medicine. A higher volume of non-medical practitioners, in professions including optometry and midwifery, were also referred during this period than in previous years.

MBS Chronic Disease Management items

The usage of Chronic Disease Management (CDM) and Health Assessment items continues to be an issue in matters referred to PSR. Each item carries with it reasonably high fees. When referred to PSR, they are generally among the most billed item for that practitioner and thus integral to that practitioner's income. This leads to substantial Commonwealth expenditure on these items.

It remains that many practitioners who render these items rely heavily on computer-generated templates, with no or very little patient-specific content. Content in these plans is automatically generated, without evidence of any meaningful clinical input by the providing practitioner. The absence of any clinical content specific for the patient means that the plans are of a very low quality and not a meaningful way to address patients' chronic illnesses, and information is documented in these plans that is often irrelevant to the patient. Goals listed in GP Management Plans (GPMPs) (MBS item 721) and Team Care Arrangements (TCAs) (MBS item 723) are often not clear or are expressed at such a generic level that they are not reviewable.

The MBS has specific requirements for TCAs that at least two collaborating providers are engaged. In many cases reviewed, there is no evidence that at least two collaborating providers were contacted and agreed to participate in TCAs. It is often the case that insufficient information is included in TCAs to describe the contribution that collaborating providers are expected to make in respect of managing patients' chronic illnesses. It appears that these services are being billed so as to provide a rebate to access allied health services, rather than for the purposes of providing a comprehensive care plan for the management of patient's chronic issues.

It also remains the case that some practitioners render CDM care plans every 12 months, with periodic reviews (under MBS item 732) every 3 months. The clinical necessity of doing so is not always evident—especially where there are no intervening consultations. The quality of care plan reviews is also poor when the care plan under review is, by itself, of a poor quality.

Practice arrangements

Practitioners referred to PSR operate in a variety of different practice models.

Practitioners practising in general medicine, including general practice, continue to practise in both smaller, traditional practices and larger corporate practices. However, the trend is for practitioners, including specialists, to practice in larger corporate practices.

Several specialist practitioners, in particular, have been referred to PSR this year who operate in the context of a corporate entity dedicated to providing a particular specialist service, with the parameters of their practice often set or reinforced by the corporate environment in which they practise.

While s. 82(2) of the Act provides for a finding of inappropriate practice against ‘an officer of a body corporate’ who ‘knowingly, recklessly or negligently’ permits a practitioner ‘to engage in conduct that constitutes inappropriate practice’, no corporations or officers of bodies corporate have been referred to PSR for review since the inception of the scheme in 1994.

Specialists and non-medical practitioners

As noted above, a diverse range of specialists were referred to PSR during 2016–17, including specialists in radiology, ophthalmology, nuclear medicine, dermatology, otorhinolaryngology, neurology, psychiatry, and respiratory and sleep medicine. Non-medical practitioners, in professions including optometry and midwifery, were also referred during this period. These referrals were received at a higher volume than in previous years.

Reviewing the provision of services by specialists and non-medical practitioners is more complex and expensive than reviewing the provision of services by medical practitioners. During the Director’s review, external peer consultants are engaged to provide advice on each matter, and Committees must be established with appropriately appointed members and Chairpersons, which has required the appointment of additional Panel members.

The quanta involved in specialist cases, in particular, is generally much higher than in general medical practitioner cases, as the specialist fees in the Medicare Benefits Schedule for specialist services are higher than for general medicine services. This means that the potential repayment of benefits for practitioners who acknowledge or are found to have engaged in inappropriate practice is higher than for practitioners in general medicine.

A number of specialist cases were referred to PSR Committees, whose investigations were on foot at the conclusion of the financial year.

Urgent after-hours services

Previous annual reports have commented on the usage by practitioners under review of urgent after hours services, and noted that doctors have billed for urgent after hours services in circumstances where those services were not urgent. *The Health Insurance (General Medical Services Table) Regulation 2017* provides the following definition of 'urgent treatment':

2.15.1 Meaning of patient's medical condition requires urgent treatment

- (1) For items 597 to 600, a patient's medical condition requires urgent treatment if:
 - (a) medical opinion is to the effect that the patient's medical condition requires treatment within the unbroken after-hours period in, or before, which the attendance mentioned in the item was requested; and
 - (b) treatment could not be delayed until the start of the next in-hours period.
- (2) For subclause (1), medical opinion is to a particular effect if:
 - (a) the attending practitioner is of that opinion; and
 - (b) in the circumstances that existed and on the information available when the opinion was formed, that opinion would be acceptable to the general body of medical practitioners.

There is a higher fee for urgent after hours services, as compared to other after hours services. Misuse of these items has the potential to have a significant and adverse impact on Commonwealth funds. Urgent after hours services are used both by practitioners in conventional medical practice as well as those who work for corporate entities, including those entities dedicated to providing after hours services.

There has been growth in the usage of these items over recent financial years. The Department has indicated that the usage of these services increased by an annual average of 25% from 2012–13 to 2015–16. During that period, the annual growth rate for all GP services was only 5%.

Practitioners referred to PSR this year have voluntarily admitted or been found by Committees to have engaged in inappropriate practice because they billed these items in circumstances that were not urgent. Practitioners billed these items for printing prescriptions, treating an upper respiratory tract infection of several days' duration, and managing constipation. These consultations could have been performed the next morning.

Committees have found that after performing a consultation, if the service was not urgent and could have been managed during the next in-hours period, then billing such an item represented inappropriate practice.

Urgent after hours items are under review by the Australian government.

Legal issues

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

Two actions involving PSR matters were determined in the Federal Court during 2016–17.

In *Selia v The Commonwealth* [2017] FCA 7, a PSR Committee had found that Dr Selia, a dentist, had engaged in inappropriate practice in that dentists under his employ had performed services that he had billed to Medicare, and he had billed Medicare for services prior to actually providing those services ('pre-billing'). The Committee also found that, in some cases, Dr Selia had not actually provided services that he pre-billed. His practice was to consult patients, develop a treatment plan involving several MBS items, and bill those items on that day or soon after, whether or not those services were then subsequently provided.

The Committee found that each of these practices, on their own and in the absence of any inappropriate clinical practices, would be considered unacceptable to the general body of dentists. The Determining Authority made a Final Determination directing Dr Selia to repay \$1,129,167.20 to the Commonwealth, representing 60% of the benefits that were paid for MBS items 85011, 85615, 85661 and 85672.

In the Federal Court, Dr Selia submitted that the mere billing of Medicare services is neither the 'provision of services' nor 'conduct in connection with rendering or initiating services' in accordance with the statutory test. In rejecting this argument, Justice Perry held that 'inappropriate practice' is not limited to clinical practice but extends to administrative matters such as billing. Her Honour noted that it is 'difficult to conceive of a matter more closely connected to protecting the integrity of a system for the payment of benefits for the provision of medical services from public monies than the billing for those services by the practitioner under that scheme in accordance with its requirements'.

Dr Selia also challenged the Committee's right to make findings about services that were initiated during the review period but not rendered until after it. It was also argued that Dr Selia had not 'initiated' any of the affected services when developing treatment plans. These arguments were rejected by the Court, which held that 'initiation' required a broad construction consistent with the public protective purpose of the scheme. Her Honour held that 'services rendered outside the review period (or not rendered at all) were initiated at the initial consultations of the patients at which the treatment plan for the patient was established and the services were scheduled'.

Justice Perry also held that the non-provision of services does not mean that a Committee does not have jurisdiction to review those services, as that would permit 'conduct of a most egregious kind to fall beyond the purview of Part VAA'.

Dr Selia also challenged the final determination of the Determining Authority. Justice Perry held that it fell within the 'range of possible lawful outcomes of the exercise of the discretion ... and was not obviously disproportionate or unjust in the circumstances'.

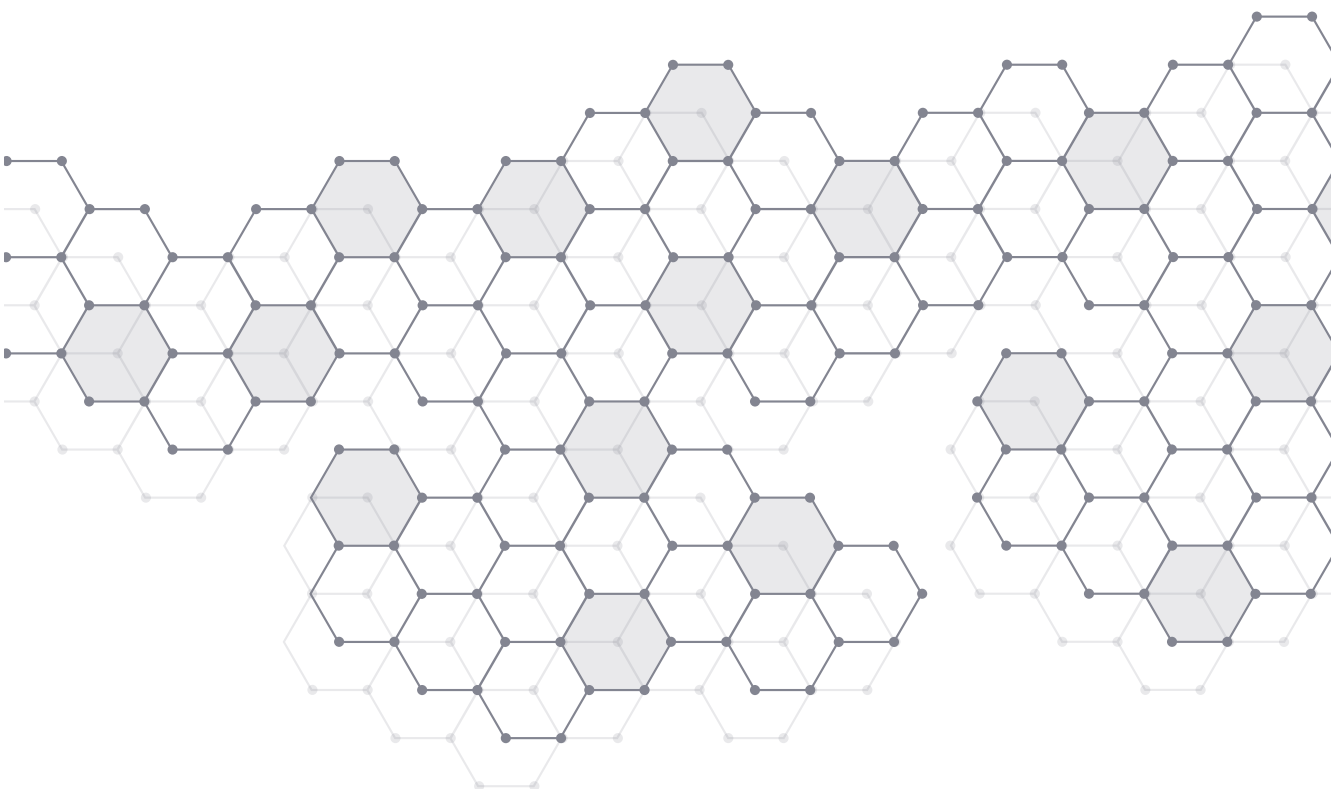
In *Sevdalis v Director Professional Services Review* [2017] FCAFC 9, the Full Federal Court dismissed Dr Sevdalis' appeal from a decision of single judge of the Federal Court, and held that although a PSR Committee is required to have regard to whether adequate and contemporaneous records are kept, it is 'neither required nor permitted' to restrict its inquiry to the terms of the regulations, but is required to consider what would be unacceptable to the general body. The regulations merely prescribe 'standards' for what constitutes an adequate and contemporaneous record.

Regarding the interpretation of MBS items 37 and 5043, the Court held that whether or not the Committee was entitled to construe those items to include a concept of necessity in providing services outside of consulting rooms, they were permitted by sections 3 and 10 of the Act to examine that issue, noting that the definition of 'clinically relevant service' in section 3 expressly refers to what is generally accepted by the medical profession.

Summary

In 2016–17, the PSR has successfully managed an increasing workload and simultaneously achieved all key performance indicators.

The PSR now tackles a large number of matters involving many different professional areas. To assist the profession and community to understand the nature of PSR work, and where peer opinion is falling in respect to items under review, PSR will now publish a brief summary of cases settled each month on its website.





3 Management and accountability

Structure and organisation

The Director of PSR is an independent statutory officer appointed by the Minister for Health under s. 83 of the Act. PSR is an agency for the purposes of the PGPA Act, and the Director is prescribed as the agency's chief executive (accountable authority).

In August 2016, Dr Bill Coote resigned as Director of 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 for Health on a full-time basis on 14 November 2011 for a three-year term, which was extended for a further 12 months on 14 November 2014 and again in November 2015.

Dr David Rankin was appointed as Director in an acting capacity until Professor Julie Quinlivan commenced as Director in February 2017.

Corporate governance and business planning

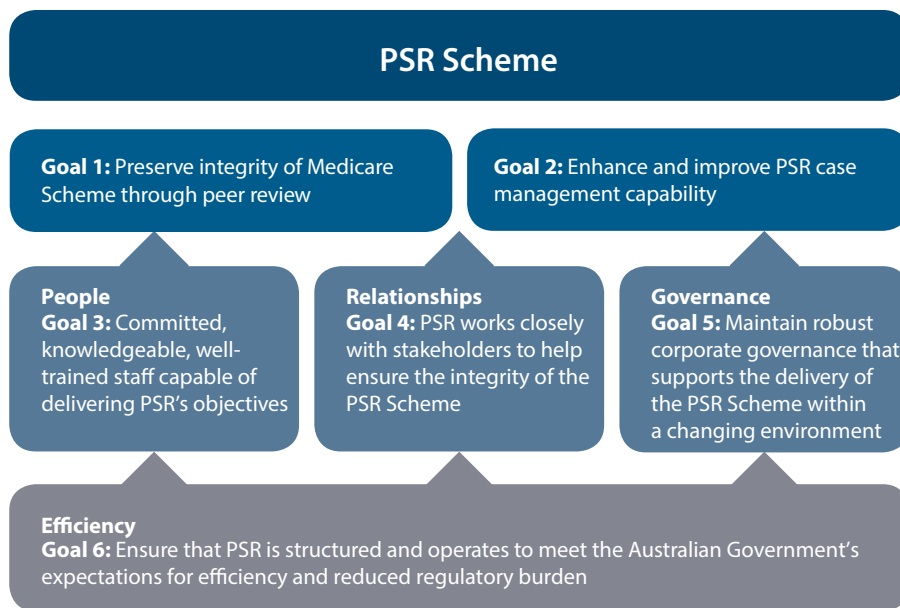
Overall accountability for PSR rests with the Director, who has primary authority and legal responsibility for the agency. The PSR Executive Officer, who reports to the Director, is the senior APS officer and is responsible for the administrative management of the agency and also fulfils the role of General Counsel.

In 2016–17, PSR further reviewed its Corporate Plan and progressed the staffing of positions following its organisational restructure. The review and restructure focused on the resources and capability of the Case Management Unit, and the agency's transition to shared services arrangements with the Department of Health.

The PSR Corporate Plan 2016–17 identifies six goals, as shown in Figure 2.

The PSR Corporate Plan is publicly available on the [PSR website](#). During 2016–17, PSR used this Corporate Plan as the basis for development of a new performance reporting framework.

Figure 2: Six goals from the Professional Services Review Corporate Plan 2016–17



PSR = Professional Services Review

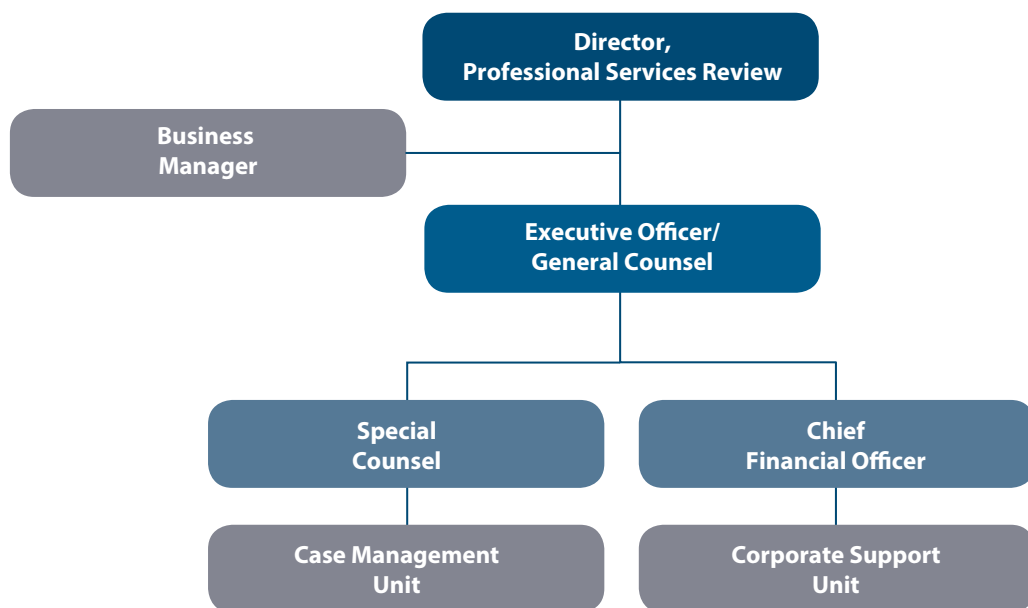
The agency's current structure (Figure 3) was finalised in 2016–17. This structure provides for:

- a Case Management Unit, which is managed by the Special Counsel and deals with the increasing number of referrals from the Medicare Provider Compliance Area in the Department of Health and a resulting increase in the number of Committee hearings held
- an integrated Corporate Support Unit that reports to the Chief Financial Officer, and is responsible for human resources, security and property management, finance, and IT and information management
- a Business Manager, who supports the PSR Executive, and coordinates administrative support across the agency and manages communications, media and parliamentary functions
- the Executive Officer also fulfils the role of General Counsel, providing internal legal advice.

As a result of the changes to the agency's structure, the legal capacity within the Case Management Unit was increased, and each case team is now managed by Legal 2 Principal Legal Officers supported by three APS 6 legal/paralegal positions.

Document preparation and management for PSR Committee hearings and reviews conducted by the Director is provided by an administrative team comprising an APS 5 senior administrative officer and two APS 4 administrative officers. This team is supported by senior records management staff.

Figure 3: Professional Services Review organisational chart, 2016–17



Portfolio shared services arrangements

Since PSR is a small agency, it is not realistic or financially viable for it 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. The ability to access specialist advice and services from the Department of Health under the portfolio shared services arrangements has helped PSR to manage a range of infrastructure support functions cost effectively.

PSR accesses human resources and payroll services as well as a range of advice services from the Department of Health in areas such as human resources, injury management, security and facilities management.

Executive management team

The PSR executive management team is made up of the Director, the Executive Officer (who is also the General Counsel), the Special Counsel (who is also the manager of the Case Management Unit) and the Chief Financial Officer. The team has a regular meeting twice a month, and meets as required at other times.

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.

Standing agenda items at executive management team meetings include:

- reports from the Director, the Executive Officer, the Special Counsel, and the Chief Financial Officer
- reports on risk management, internal audit, procurement and contracting, human resources, including leave liability and workplace health and safety
- a report from the Information and Communications Technology (ICT) and Information Management Project Governance Committee.

In providing leadership for the agency, the executive management team promotes the core principles of good public sector governance, including accountability, transparency, integrity, efficiency and risk management.

Because PSR is a small agency, the executive management team undertakes a range of roles that might be performed by specialist committees in a larger organisation.

Identifying and managing risk

In April 2017, PSR worked with consultants Noetic to conduct a risk assessment of its activities, covering both strategic and operational risks. PSR has invested significantly in the development of a robust risk management framework.

This investment has continued with the annual Risk Management Workshop and review of PSR's Risk Management Plan.

The Risk Management Workshop involved all staff, the chair and members of PSR's Audit Committee, and included a review of PSR's Risk Management Plan. Outcomes from the workshop provided an opportunity for the agency to consider any risks or compliance issues in the context of developing PSR's annual Internal Audit Plan.

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 roles and responsibilities for monitoring and reviewing risks.

In addition, Noetic worked with PSR to review its approach to tracking and managing risks. The 2017–18 Risk Action Plan identifies and prioritises further opportunities for improvement in risk management, 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 Noetic at a high level, drawing on its risk management knowledge, and experience in the private and Australian Government sectors. It was based on what would reasonably be expected of an organisation of PSR's size, nature and complexity.

The findings from this annual review have provided input into the assessment of future improvement initiatives.

The improvement priorities identified include:

- reviewing policy documents
- streamlining risk monitoring and reporting
- more effectively linking risk management and business planning
- ensuring staff engagement
- outsourcing risk management advice or related services where appropriate.

The risk assessment will also be used to prepare PSR's annual 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.

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

Fraud control

In February 2017, PSR engaged Pricewaterhouse Coopers (PwC) to review its two year Fraud Control Plan and undertake a fraud risk assessment. A fraud control workshop was held which involved all staff. The workshop provided an opportunity to raise awareness amongst staff and assisted in the development of the current agency Fraud Control Plan (the Plan). The 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 Framework under the PGPA Act, and is consistent with PSR's Risk Management Plan and Accountable Authority Instructions.

Fraud control is a standing agenda item at PSR's executive management team and Audit Committee meetings.

During 2016–17, there were no reported incidents of fraud.

External scrutiny

PSR was not subject to any other external reviews during 2016–17.

Audit Committee

The PSR Audit Committee is established by the PSR Director under s. 45(1) of the PGPA 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 2016–17, PwC was appointed as PSR's internal auditors for a period of four years.

The PSR Audit Committee consists of an independent chair, an independent member and the agency's Executive Officer. In 2016–17, Ms Gayle Ginnane was the independent chair and Mr Paul Groenewegen was the independent member. Participating observers included representatives from the Australian National Audit Office and PwC.

In 2016–17, the Audit Committee met on four occasions. In addition, the Chair reported regularly to the PSR Director.

During the course of the year, the PSR Audit Plan included a range of audits that focused on governance, internal controls and compliance. These included a review of the agency's data security, HR and payroll processes, key controls and a gap analysis of PSR's compliance with the Protective Security Policy Framework.

Ethical standards

PSR recognises its responsibilities as part of the APS. As a statutory agency, PSR is committed to the APS Values and the Code of Conduct outlined in the *Public Service Act 1999*. In addition, to help guide its performance, PSR has defined its own values and behaviours, which are underpinned by the APS Values. PSR's 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 a consistent approach to arrive at timely, 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
- providing defensible reasons for outcomes.

To PSR, being professional means:

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

Management of human resources

During 2016–17, PSR completed negotiations with staff in relation to a new enterprise agreement. In common with other departments and agencies across government, PSR has streamlined the content of its enterprise agreement. The new agreement took effect on 1 February 2017.

As a result of finalising the enterprise agreement, PSR reviewed its human resource policies and guidelines to ensure consistency with the new enterprise agreement.

PSR ensures that 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 (PDS).

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 through 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 PSR intranet.

Australian Public Service staff

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

At 30 June 2017, PSR employed 19 APS staff members, including staff on long-term leave. Although PSR is a small agency, it has a number of EL 2 and Legal 2 positions because of its role as a regulatory agency. These positions are filled by senior lawyers with extensive administrative law experience. They have specific responsibility for managing PSR cases, and providing legal advice to the Director and PSR Committees.

Tables 7 and 8 provide details of staff numbers. They include staff on long-term leave.

Table 7: PSR Australian Public Service staff, 30 June 2017

Classification	Male	Female	Ongoing employment	Non-ongoing employment	Full time	Part time	Total
SES Band	1	0	1	0	1	0	1
Legal/EL 2	2	2	4	0	4	0	4
EL 1	0	1	1	0	0	1	1
APS 6	2	4	6	0	4	2	6
APS 5	1	3	4	0	2	2	4
APS 4	2	1	2	1	2	1	3
APS 3	0	0	0	0	0	0	0
Total	8	11	18	1	13	6	19

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

Table 8: Actual PSR staff numbers, 2016–17 and 2015–16

Staff	2016–17	2015–16
Average staffing level (by FTE)	17.71	17.01

All staff employed by PSR at 30 June 2017 were based in the ACT. There were five employees who did not speak English as their first language and 26% had parents who did not speak English as their first language. PSR had no employees who identified as Aboriginal or Torres Strait Islander, or employees with an identified disability.

During 2016–17, PSR recruited one non-ongoing and four ongoing employees. Two ongoing employees left PSR through transfer or termination.

Enterprise agreement and Australian Workplace Agreements

At 30 June 2017, the pay and conditions of all APS employees, including those at the Executive Level, were governed by the PSR Enterprise Agreement 2016–19.

The pay and conditions of PSR’s Senior Executive Service (SES) officer were governed by an SES employment policy and contract. Table 9 lists PSR salary ranges for each classification.

Table 9: Current PSR salary ranges

Classification	Minimum (\$)	Maximum (\$)
APS 3	56,970	63,010
APS 4	64,418	69,157
APS 5	70,093	74,135
APS 6	77,643	91,212
Legal APS 6	79,379	87,590
EL 1	98,105	109,542
EL 2	109,902	135,912
Legal EL 2	132,014	142,614

APS = Australian Public Service; EL = Executive Level

Note: Salary ranges are from the PSR Enterprise Agreement 2016–19.

Non-salary benefits

PSR provided non-salary benefits to attract and retain capable staff. In 2016–17, benefits included:

- allowance for mobile phones for relevant personnel
- home internet access to PSR's ICT network
- paid car parking for all employees
- travel lounge membership for employees who travel more than six times a year.

Performance Pay

During 2016–17, PSR awarded performance pay to Executive level employees who satisfied certain performance conditions specified by individual flexibility agreements.

Table 10 provides details of employees by classification, who received performance pay relating to the PDS cycle ending 30 June 2017. The total amount paid was \$22,272.

Table 10: Performance pay to PSR employees

Classification	Employees	Total Paid (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES Band	1	6,366	6,366	6,366	21,827
Legal/ EL2	3	15,906	5,302	5,302	54,534

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 are paid in accordance with the Remuneration Tribunal rates and allowances.

Table 11 shows PSR Panel membership by practice location and gender.

Table 11: PSR Panel members as at 30 June 2017

Location	Male	Female	Total
Australian Capital Territory	3	4	7
New South Wales	21	11	32
Northern Territory	1	1	2
Queensland	10	6	16
South Australia	8	5	13
Tasmania	4	2	6
Victoria	15	7	22
Western Australia	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 2016–17, including external courses and workshops in areas including leadership and management, work health and safety, law, risk, and records management.

PSR allocates a portion of its annual departmental expenditure to training and development during the financial 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 2016–17, including:

- workstation assessments for new employees
- onsite influenza vaccinations for all employees
- access to the employee assistance program for employees and their immediate families

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

Disability reporting mechanisms

The Commonwealth Disability Strategy has been superseded by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to:

- improve the lives of people with disability
- promote participation
- 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 is available on the website of the [Australian Government Department of Social Services](#).

Accommodation

In 2016–17, PSR renegotiated the lease of its premises at Brindabella Business Park, with a view to entering into a new five year lease with some refitting of the present accommodation space to better suit the needs of the organisation.



4 Financial performance

PSR's departmental appropriation for 2016–17 was \$5,274,000, which includes \$143,000 for a departmental capital budget.

The agency's 2016–17 departmental expenses were \$5,382,866 (excluding GST).

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

Purchasing

In 2016–17, PSR sourced goods and services in accordance with the principles set out in the [Commonwealth Procurement Rules](#).

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

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

PSR has outsourced some air travel management services. As part of service delivery arrangements with the provider, PSR requires the 'lowest practical fare' when procuring air travel for all PSR employees and part-time office holders.

Asset management

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

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

Consultants

PSR engages consultants where it lacks specialist expertise, or when independent research, review or assessment is required. Consultants are typically engaged to:

- investigate or diagnose a defined issue or problem
- carry out defined reviews or evaluations
- provide independent advice, information or creative solutions to assist with the agency's decision making.

Before engaging consultants, PSR takes into consideration 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 PGPA Act and related Rules, including the Commonwealth Procurement Rules.

During 2016–17, PSR engaged 13 consultants under s. 90 of the *Health Insurance Act 1973*, with a total value of \$197,805 (inclusive of GST), to assist with the performance of the functions, duties and powers of the Director. In addition, PSR incurred further expenditure of \$148,367 (inclusive of GST) in relation to two consultancy contracts for the provision of legal services.

PSR spent a cumulative amount of \$80,383 (inclusive of GST) on consultancies during 2016–17 to provide professional, independent and expert advice to PSR.

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](#).

Australian National Audit Office access clauses

During 2016–17, PSR had no contracts over the value of \$100,000 (inclusive of GST) that did not provide for the Auditor-General to have access to the contractor's premises.

Exempt contracts

In 2016–17, PSR had no contracts over the value of \$10,000 (inclusive of GST) that were exempt from being published on AusTender on the basis that to do so would disclose exempt matters under the *Freedom of Information Act 1982*.

Procurement initiatives to support small business

PSR supports small business participation in the Australian Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the [Department of Finance's website](#).

PSR recognises the importance of ensuring that small businesses are paid on time.

The results of the survey of Australian Government payments to small business are available on the [Treasury's website](#).

PSR applies procurement practices that are consistent with the Commonwealth Procurement Rules and the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 (inclusive of GST) that do not unfairly discriminate against small and medium enterprises. PSR recognises the importance of timely payments to small businesses, and ensures that key financial systems and processes are robust to facilitate these payments.

Advertising and market research

During 2016–17, PSR undertook two advertising campaigns with Dentsu Mitchell for the recruitment of PSR's panel members. Total payments to Dentsu Mitchell were \$29,432 (GST inclusive).

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 reports 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 by installing energy efficient light bulbs and using sensor light technology. PSR also encourages ecologically sustainable practices, such as paper, plastic and aluminium recycling and has implemented systems and processes to encourage greater reliance on electronic records in preference to paper.

Publications

PSR produced two publications in 2016–17:

- *Annual report 2015–16*; and
- *A practical guide to the Committee process for Committee members*.



Appendices

Appendix 1 Professional Services Review's resource statement and outcome summary 2016–17

Table 12: Resource statement, 2016–17

Resource		Actual available appropriations for 2016–17 (\$'000) ^(a)	Payments made in 2016–17 (\$'000) ^(b)	Balance remaining (\$'000) ^(a-b)
Ordinary Annual Services ^a	Departmental appropriation ^b	5,505	5,760	-255
Other services	Departmental nonoperating	–	–	–
	Equity injections	–	–	–
	Previous year's outputs	–	–	–
	Total other services	–	–	–
	Total resourcing and payments	5,505	5,760	-255

Note: All figures are GST exclusive.

a Appropriation Acts (No. 1) 2016–17.

b Includes an amount of \$143,000 for the Departmental Capital Budget.

Table 13: Resource summary, Outcome 1^a

Program 1.1: Safeguarding the integrity of the Medicare Program and Pharmaceutical Benefits Scheme	[A] Budget 2016–17 (\$'000)	[B] Actual expenses 2016–17 (\$'000)	[A - B] Variation (\$'000)
Departmental outputs	5,131	5,383	-252
Average staffing level (number)	18	18	0

a Outcome 1 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 program and Pharmaceutical Benefits Scheme.

Appendix 2

Financial statements

Independent audit report

Statement by the Accountable Authority and Chief Financial Officer

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Cash flow statement

Overview

Note 1: Expenses

Note 2: Income

Note 3: Financial assets

Note 4: Non-financial assets

Note 5: Payables

Note 6: Provisions

Note 7: Appropriations

Note 8: Cash flow reconciliation

Note 9: Employee provisions

Note 10: Key management personnel remuneration

Note 11: Related party disclosures

Note 12: Contingent assets and liabilities

Note 13: Financial instruments

Note 14: Fair value measurement

Independent audit report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

Opinion

In my opinion, the financial statements of the Professional Services Review for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Professional Services Review as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Professional Services Review, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Professional Services Review in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Professional Services Review the Director is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Director is also responsible for such internal control as the Director determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing the Professional Services Review ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Director

is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

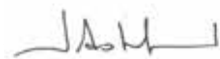
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Senior Executive Director
Delegate of the Auditor-General
Canberra
5 October 2017

Statement by the Accountable Authority and Chief Financial Officer

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42 (2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41 (2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Professional Services Review will be able to pay its debts as and when they fall due.



Professor Julie Quinlivan
Director, Accountable Authority
Professional Services Review

4 October 2017



Linnet Lee
Chief Financial Officer
Professional Services Review

4 October 2017

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2017

		2017	2016	Original Budget 2017
	Notes	\$	\$	\$
NET COST OF SERVICES				
Expenses				
Employee benefits	1A	2,496,691	2,855,474	2,756,969
Supplier expenses	1B	2,714,779	3,187,236	2,448,327
Depreciation and amortisation	4A	168,743	169,826	202,704
Finance costs	1C	2,653	2,731	-
Impairment of assets	1D	-	1,266	-
Total expenses		5,382,866	6,216,533	5,408,000
Own-Source Income				
Own-source revenue				
Rendering of services	2A	65,000	6,667	40,000
Other revenue	2B	31,500	31,000	30,000
Total own-source revenue		96,500	37,667	70,000
Gains				
Reversals of impairments	2C	29,246	-	-
Other gains	2D	-	2,262	-
Total gains		29,246	2,262	-
Total own-source income		125,746	39,929	70,000
Net cost of services		5,257,120	6,176,604	5,338,000
Revenue from Government - departmental appropriations	2E	5,131,000	5,528,000	5,135,000
Surplus (Deficit) attributable to the Australian Government		(126,120)	(648,604)	(203,000)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		294,438	-	-
Total other comprehensive income		294,438	-	-
Total comprehensive income attributable to the Australian Government		168,318	(648,604)	(203,000)

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

Budget Variances Commentary

Statement of Comprehensive Income

Supplier expenses were \$266K (11%) higher than budget. The variance was due to an increase in the number of specialist cases referred to PSR during the year and an increase in the number of days required for each hearing. Depreciation and amortisation were lower than budget by \$34K (17%) as the budget assumed the case management system would be fully implemented during 2016-17.

Rendering of services were \$25K (63%) higher than budget. The variance represents a settlement in favour of PSR for a litigation case that was before the Federal Court. The settlement amount could not be determined at the time of budget and was based on past recoveries.

A full valuation of PSR's assets was conducted at 30 June 2017. \$29K was recognised in profit and loss and \$294K was recognised in other comprehensive income and accumulated in equity under revaluation surplus. Movements in asset carrying amounts from the revaluation could not be estimated at the time of budget.

PSR's year end deficit is within unfunded depreciation and amortisation expenses.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget 2017 \$
ASSETS				
Financial Assets				
Cash and cash equivalents	3A	100,512	95,667	179,000
Trade and other receivables	3B	2,213,356	2,412,947	2,494,000
Total financial assets		2,313,868	2,508,614	2,673,000
Non-Financial Assets				
Leasehold improvements	4A	287,100	92,036	92,000
Plant and equipment	4A	96,120	119,426	228,000
Intangibles	4A	331,122	228,168	235,000
Other non-financial assets	4B	60,700	37,788	39,000
Total non-financial assets		775,042	477,418	594,000
Total assets		3,088,910	2,986,032	3,267,000
LIABILITIES				
Payables				
Suppliers	5A	287,858	351,897	352,000
Other payables	5B	43,034	90,260	158,000
Total payables		330,892	442,157	510,000
Provisions				
Employee provisions	9	553,833	651,080	780,000
Provision for restoration obligations	6	88,800	88,728	86,000
Total provisions		642,633	739,808	866,000
Total liabilities		973,525	1,181,965	1,376,000
Net assets		2,115,385	1,804,067	1,891,000
EQUITY				
Contributed equity		997,497	854,497	997,000
Reserves		791,992	497,554	498,000
Retained surplus/(Accumulated deficit)		325,896	452,016	396,000
Total equity		2,115,385	1,804,067	1,891,000

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

Budget Variances Commentary

Statement of Financial Position

Cash has decreased by \$78K (-44%). The budget assumed a higher cash balance from prior year estimates.

Trade and other receivables were lower than budget by \$281K (11%) which is consistent with an increase in supplier expenses.

Leasehold improvements were higher than budget by \$195K. The budget represents the value of the make good on the office lease which was due to expire on 31 July 2017. The budget also assumed accommodation for PSR's new premises would be shared with another Commonwealth agency under a shared services arrangement. PSR has now entered into a new lease at its current location, exclusive to PSR.

Property, plant and equipment decreased by \$132K (58%) due to the agency's server refresh project. Completion was anticipated for 2016-17 but has been delayed to the following year.

Intangibles have increased by \$96k (18%), which represents further work associated with the upgrade of the PSR's case management system which was not previously foreseen, and software for a new secure file sharing solution not included in the forecast.

Supplier payables decreased by \$64k (18%). Supplier payables were based on prior year activity. At 30 June 2017, the volume of outstanding invoices was lower than anticipated due to a reduction in contractor and consultancy invoices owing at year end.

Other payables decreased by \$115K (73%) as the budget included a higher number of days accrued for salaries and superannuation. The budget also included \$40K in leave liabilities for a former employee, not required at year end.

The variance of \$226K (29%) in employee provisions was forecasted based on a prior year balance carried forward in the budget for future years. The budget amount included redundancies of \$155K not required at year end. The remaining movement of \$71K is represented by \$169K in leave provisions paid out for two key management personnel who left PSR during the year, offset by an increase in the long service leave discount factor from 92.7% at the time of budget to 96.3% at 30 June.

Total equity increased by approximately \$224K (12%). The variance represents an increase in PSR's asset carrying values of \$294K after an asset revaluation was performed at year end.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2017

	2017	2016	Original Budget 2017
Notes	\$	\$	\$
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	854,497	849,497	854,000
Opening balance	854,497	849,497	854,000
Transactions with owners			
Contributions by owners			
Departmental capital budget	143,000	5,000	143,000
Total transactions with owners	143,000	5,000	143,000
Closing balance as at 30 June	997,497	854,497	997,000
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	452,016	1,100,620	599,000
Opening balance	452,016	1,100,620	599,000
Comprehensive income			
Surplus/(Deficit) for the period	(126,120)	(648,604)	(203,000)
Total comprehensive income	(126,120)	(648,604)	(203,000)
Transactions with owners			
Closing balance as at 30 June	325,896	452,016	396,000
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	497,554	497,554	498,000
Opening balance	497,554	497,554	498,000
Comprehensive income			
Other comprehensive income	294,438	-	-
Total comprehensive income	294,438	-	-
Closing balance as at 30 June	791,992	497,554	498,000

STATEMENT OF CHANGES IN EQUITY (Continued)

for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget 2017 \$
TOTAL EQUITY				
Balance carried forward from previous period		<u>1,804,067</u>	<u>2,447,671</u>	<u>1,951,000</u>
Opening balance		<u>1,804,067</u>	<u>2,447,671</u>	<u>1,951,000</u>
Comprehensive income				
Surplus (Deficit) for the period		(126,120)	(648,604)	(203,000)
Other comprehensive income		<u>294,438</u>	-	-
Total comprehensive income		<u>168,318</u>	<u>(648,604)</u>	<u>(203,000)</u>
Transactions with owners				
Contributions by owners				
Departmental capital budget		<u>143,000</u>	<u>5,000</u>	<u>143,000</u>
Total transactions with owners		<u>143,000</u>	<u>5,000</u>	<u>143,000</u>
Closing balance as at 30 June		<u>2,115,385</u>	<u>1,804,067</u>	<u>1,891,000</u>

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

Budget Variances Commentary

Statement of Changes in Equity

Contributed equity and retained earnings have increased by approximately \$224K (12%) in total. The variance is represented by a decrease of \$77K in the agency's anticipated deficit, and an increase in the asset revaluation reserve, after an asset valuation was conducted at 30 June 2017.

CASH FLOW STATEMENT

for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget 2017 \$
OPERATING ACTIVITIES				
Cash received				
Appropriations		5,420,193	6,140,802	5,184,000
Sale of goods and rendering of services		21,000	8,929	40,000
Net GST received		212,576	264,306	233,000
Total cash received		5,653,769	6,414,037	5,457,000
Cash used				
Employees		2,647,728	3,092,730	2,757,000
Suppliers		2,977,426	3,406,709	2,418,000
Net GST paid		-	-	233,000
Total cash used		5,625,154	6,499,439	5,408,000
Net cash from/(used by) operating activities	8	28,615	(85,402)	49,000
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		13,857	13,948	192,000
Purchase of intangibles		118,255	133,518	-
Total cash used		132,112	147,466	192,000
Net cash (used by) investing activities		(132,112)	(147,466)	(192,000)
FINANCING ACTIVITIES				
Cash received				
Contributed equity - Departmental capital budget		108,342	149,610	143,000
Total cash received		108,342	149,610	143,000
Net cash from financing activities		108,342	149,610	143,000
Net increase/(decrease) in cash held		4,845	(83,258)	-
Cash and cash equivalents at the beginning of the reporting period		95,667	178,925	179,000
Cash and cash equivalents at the end of the reporting period	3A	100,512	95,667	179,000

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

Budget Variances Commentary

Cash Flow Statement

The movement in cash received for sale of goods and rendering of services of \$19K (48%), represents a part payment of settlement costs due to PSR from a litigation case that was before the Federal Court. The budget assumes settlement is received in full during the year.

Cash used for suppliers was higher than budget which is consistent with an increase in supplier expenses.

Cash used for property, plant and equipment was lower than budget by \$178K (93%) as it was expected the ICT server refresh project would be implemented and paid during 2016-17. The project has been delayed until 2017-18. Cash used for intangibles was higher than budget by \$118K as the funds for the work remaining on the case management system was drawn from prior year's budget allocation.

Cash received from financing activities represents actual cash drawn from the departmental capital budget for asset purchases. The budget was based on capital injections due to be received in 2016-17, noting that PSR had cash reserves from prior years to fund capital items.

Overview

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 the Chief Executive Medicare.

PSR has 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.

Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements 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.

Certain comparative amounts have been reclassified or adjusted to comply with current year's presentation. There are minor changes to Note 10.

Overview

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 adopted by PSR:

AASB 124 Related Party Disclosures

AASB 124 was released by the Australian Accounting Standards Board to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Adoption of AASB 124 Related Party Disclosures has changed the basis of identifying and reporting transactions with key management personnel (KMP). As a result, the comparatives have been restated to disclose remuneration to KMP, rather than disclosing remuneration to all substantive SES level staff as previously stated.

Future Australian Accounting Standard Requirements

During the 2016-17 financial year, accounting standards and interpretations were issued or amended by the Australian Accounting Standards Board which are effective for future reporting periods. However, none of these standards or interpretations are expected to have a material impact on PSR's financial statements.

Accounting Judgements and Estimates

PSR have made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of leasehold improvements is taken to be the depreciated replacement cost as determined by an independent valuer. Make good was determined by taking into consideration the lease term, consumer price index, and the Australian Government Bond rate.
- The long service leave liability is calculated using the shorthand method developed by the Australian Government Actuary. This method is influenced by fluctuations in the Commonwealth Government 10 year Treasury Bond rate and PSR's estimated salary growth rates.

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 with the next accounting period.

Overview

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.

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.

Events After the Reporting Period

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

Explanation of major budget variances

AASB 1055: Budgetary Reporting requires explanations of major variances between the original budget as presented in the 2016-17 PBS. The variance commentary that appears in the face statements should be read in the context of the following:

1. The original budget was prepared before the 2016-17 final outcome could be known. As a result, the opening balance of the Statement of Financial Position was estimated and in some cases, variances between the 2016-17 outcome and budget estimates can be partly attributed to unanticipated movement in prior year figures.
2. PSR considers that major variances are those greater than 10% of the original estimate. Variances below this threshold are not included unless considered significant by their nature. Variances relating to cash flows are a result of factors detailed under expenses, own source income, assets or liabilities. Unless otherwise individually significant or unusual, no additional commentary has been included.

Financial Performance

This section analyses the financial performance of PSR for the year ended 2017

Note 1: Expenses

	2017	2016
	\$	\$
Note 1A: Employee Benefits		
Wages and salaries	1,919,584	2,007,979
Superannuation		
Defined contribution plans	200,546	191,028
Defined benefit plans	122,758	151,041
Leave and other entitlements	253,803	305,660
Separation and redundancies	-	199,766
Total employee benefits	2,496,691	2,855,474

Accounting Policy

Accounting policies for employee related expenses are contained in Note 9.

Note 1B: Suppliers

Goods and services supplied or rendered

Legal expenses ¹	134,879	472,326
Case related fees	480,661	560,256
Other case related expenses	454,172	515,944
Consultant fees	400,088	265,948
Contractor expenses	367,753	550,090
Telephone and internet	49,321	76,657
Recruitment expenses	38,543	31,259
Other expenses	322,903	300,512
Total goods and services supplied or rendered	2,248,320	2,772,992

Other suppliers

Operating lease rentals	318,577	313,706
Workers compensation expenses	147,882	100,538
Total other suppliers	466,459	414,244
Total suppliers	2,714,779	3,187,236

¹Prior year legal expenses included litigation fees for cases before the Federal Court.

PSR currently has an operating lease agreement which consists of the lease premises and car parking at the Canberra Airport from the Capital Airport Group Pty Ltd. An eight year lease was signed in July 2009. PSR entered into a new five year lease from 1 August 2017.

Financial Performance

This section analyses the financial performance of PSR for the year ended 2017

Note 1: Expenses

	2017	2016
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	345,535	385,388
Between 1 to 5 years	1,426,303	32,185
More than 5 years	30,419	-
Total operating lease commitments	<u>1,802,257</u>	<u>417,573</u>

Accounting Policy

Leasing commitments

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

Note 1C: Finance Costs

Unwinding of discount	<u>2,653</u>	<u>2,731</u>
Total finance costs	<u>2,653</u>	<u>2,731</u>

Accounting Policy

Borrowing Costs

All borrowing costs are expensed as incurred.

Note 1D: Write-Down and Impairment of Assets

Asset write-downs and impairments from:

Impairment of property, plant and equipment	-	<u>1,266</u>
Total write-down and impairment of assets	<u>-</u>	<u>1,266</u>

Financial Performance

This section analyses the financial performance of PSR for the year ended 2017

Note 2: Income

	2017	2016
Own-Source Revenue	\$	\$

Note 2A: Rendering of Services

Settlement from litigations	<u>65,000</u>	<u>6,667</u>
Total rendering of services	<u>65,000</u>	<u>6,667</u>

Accounting Policy

Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the entity retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- 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:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- 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.

Note 2B: Other Revenue

Resources received free of charge	<u>31,500</u>	<u>31,000</u>
Total other revenue	<u>31,500</u>	<u>31,000</u>

Accounting Policy

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.

Financial Performance

This section analyses the financial performance of PSR for the year ended 2017

Note 2: Income

	2017	2016
	\$	\$
Gains		
<u>Note 2C: Reversals of impairments</u>		
Revaluation increments	29,246	-
Total reversals of previous impairments	29,246	-
<u>Note 2D: Other Gains</u>		
Reversal of prior year expenses	-	2,262
Total other gains	-	2,262
Revenue from Government		
<u>Note 2E: Revenue from Government</u>		
Appropriations		
Departmental appropriations	5,131,000	5,528,000
Total revenue from Government	5,131,000	5,528,000

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for 2016-17 (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

Financial Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 3: Financial Assets

	2017	2016
	\$	\$
Note 3A: Cash and Cash Equivalents		
Cash on hand or on deposit	100,512	95,667
Total cash and cash equivalents	100,512	95,667

Accounting Policy

Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include cash on hand.

Note 3B: Trade and Other Receivables

Good and services receivables

Goods and services	-	-
Settlement from litigations and leave transfers	77,572	27,530
Total goods and services receivables	77,572	27,530

Appropriations receivable

Existing programs	1,861,116	2,150,309
Departmental capital budget	238,557	203,899
Total appropriations receivable	2,099,673	2,354,208

Other receivables

GST receivable from the Australian Taxation Office	36,111	31,209
Total other receivables	36,111	31,209
Total trade and other receivables (gross)	2,213,356	2,412,947
Total trade and other receivables (net)	2,213,356	2,412,947

Accounting Policy

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.

Impairment of Financial Assets

All assets were assessed for impairment at 30 June 2017. 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 Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 4: Non-Financial Assets

Note 4A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles for 2017

	Leasehold improvements	Plant & equipment	Computer software	Total
	\$	\$	\$	\$
As at 1 July 2016				
Gross book value	261,700	266,140	634,733	1,162,573
Accumulated depreciation, amortisation and impairment	(169,664)	(146,714)	(406,565)	(722,943)
Net book value as at 1 July 2016	92,036	119,426	228,168	439,630
Additions				
Purchase or internally developed	-	12,597	109,755	122,352
Revaluations and impairments recognised in other comprehensive income	279,895	11,962	-	291,857
Impairments recognised in net cost of services	-	-	-	-
Reversal of impairments recognised in net cost of services	-	29,246	-	29,246
Depreciation and amortisation	(84,831)	(77,111)	(6,801)	(168,743)
Net book value as at 30 June 2017	287,100	96,120	331,122	714,342
Net book value as at 30 June 2017 represented by				
Gross book value	287,100	96,120	744,488	1,127,708
Accumulated depreciation and impairment	-	-	(413,366)	(413,366)
Net book value as at 30 June 2017	287,100	96,120	331,122	714,342

Property, plant and equipment were subject to revaluation in 2016-17.

The carrying amount for buildings of \$287,100 (2016: \$92,036) and plant and equipment of \$96,120 (2016: \$119,426) were included in the valuation figures above. No indicators of impairment were found for property, plant and equipment.

PSR's ICT servers are due for a refresh in 2017-18 after reaching the end of their useful lives (5 years). The current servers are expected to be replaced and upgraded within the next 12 months. No other property, plant and equipment, or intangibles are 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 4. An independent valuer, B&A Valuers, conducted a full valuation of PSR's assets at 30 June 2017.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

No contractual commitments were entered into for property, plant and equipment at 30 June 2017.

Financial Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 4: Non-Financial Assets

Accounting Policy

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.

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 'make good' 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 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do 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 are made on a class basis. Any revaluation increment is 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 are 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.

Financial Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 4: Non-Financial Assets

Accounting Policy

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:

	2017	2016
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 2017. 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 of disposal 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.

There were no impairment losses at 30 June 2017.

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.

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 4 to 10 years (2016: 5 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

Financial Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 4: Non-Financial Assets

	2017	2016
	\$	\$
Note 4B: Other Non-Financial Assets		
Prepayments	60,700	37,788
Total other non-financial assets	60,700	37,788

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

Financial Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 5: Payables

	2017	2016
	\$	\$
Note 5A: Suppliers		
Trade creditors and accruals	286,674	336,849
Operating lease rentals	1,184	15,048
Total suppliers	287,858	351,897

Settlement is made within 30 days.

Note 5B: Other Payables

Wages and salaries	40,665	71,640
Superannuation	2,369	1,345
Other	-	17,275
Total other payables	43,034	90,260

Settlement is made within 30 days.

Financial Position

This section analyses PSR's assets used to conduct its operations and the operating liabilities incurred as a result

Note 6: Provisions

	2017	2016
	\$	\$
Note 6: Provision for restoration obligations		
Make good obligation	88,800	88,728
Total provision for restoration obligations	88,800	88,728

	Provision for restoration
	\$
Carrying amount 1 July 2016	88,728
Additional provisions made	-
Amounts used	-
Amounts reversed	(2,581)
Finance cost - unwinding discount	2,653
Closing balance 2017	88,800

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.

Funding

This section identifies PSR's funding structure

Note 7: Appropriations

7A: Annual Appropriations (Recoverable GST exclusive)

Annual Appropriations for 2017

	Annual Appropriation ¹	Adjustment to appropriation ²	Total appropriation	Appropriation applied in 2017 (current and prior years)	Variance ³
DEPARTMENTAL					
Ordinary annual services	5,131,000	26,093	5,157,093	(5,446,285)	(289,192)
Capital Budget ⁴	143,000	-	143,000	(108,342)	34,658
Total departmental	5,274,000	26,093	5,300,093	(5,554,627)	(254,534)

Notes:

1. In 2016-17, \$4,000 relating to Appropriation Act (No. 1) 2016-17 was quarantined due to the implementation of whole of Government arrangements for GovLink services. Ordinary annual services excludes \$4,000 withheld under section 51 of the PGPA Act.

2. Adjustment includes PGPA Act section 74 receipts.

3. Departmental appropriations were over spent by \$289,192. The variance was mainly attributable to case related activities and the number of cases referred to the Professional Services Review in 2016-17.

4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1) and Supply Acts (No.1). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. Payments made on non-financial assets include purchases of assets, and expenditure on assets which have been capitalised.

Annual Appropriations for 2016

	Appropriation Act		Total appropriation	Appropriation applied in 2016 (current and prior years)	Variance ²
	Advance to the Finance Minister	PGPA Act Section 74 Receipts			
DEPARTMENTAL					
Ordinary annual services ¹	5,528,000	64,075	5,592,075	(6,204,017)	(611,942)
Capital Budget ³	5,000	-	5,000	(149,610)	(144,610)
Total departmental	5,533,000	64,075	5,597,075	(6,353,627)	(756,552)

Notes:

1. In 2015-16, \$1,000 relating to Appropriation Act (No. 1) 2014-15 was quarantined.

2. Departmental Appropriations were over spent by \$611,942. The variance was mainly attributable to case related activities and the number of cases referred to the Professional Services Review in 2015-16. PSR's approved operating loss was funded by cash reserves.

3. 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.

Payments made on non-financial assets include purchases of assets, and expenditure on assets which have been capitalised. Note that payments made on non-financial assets were greater than the departmental capital budget for the year by \$144,610, as capital expenditure that commenced during 2014-15 continued throughout the course of 2015-16. Therefore, a proportion of PSR's departmental capital funds received in prior years were spent in 2015-16.

Funding

This section identifies PSR's funding structure

Note 7: Appropriations

7B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2017	2016
	\$	\$
DEPARTMENTAL		
Appropriation Act (No. 1) 2016-17	1,949,068	-
Supply Act (No. 1) 2016-17	60,000	-
Appropriation Act (No. 1) 2015-16	179	2,156,430
Appropriation Act (No. 1) 2014-15	-	54,000
Appropriation Act (No. 1) 2013-14	95,378	144,899
Cash balance	100,512	95,667
Total	2,205,137	2,450,996

The cash balance of \$100,512 represents unspent departmental appropriation from Appropriation Act (No.1) 2016-17; (2016: \$95,667 from Appropriation Act (No.1) 2015-16). Unspent departmental appropriation also includes a departmental capital budget of \$143,000 (2016: \$5,000).

Funding

This section identifies PSR's funding structure

Note 8: Cash Flow Reconciliation

	2017	2016
	\$	\$
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	100,512	95,667
Statement of financial position	100,512	95,667
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from/ (used by) operating activities:		
Net cost of services	(5,257,120)	(6,176,604)
Add revenue from Government	5,131,000	5,528,000
Adjustments for non-cash items		
Depreciation / amortisation	168,743	169,826
Net write down of non-financial assets	-	1,266
Loss on disposal of assets	-	-
Finance costs	2,653	2,731
Changes in assets / liabilities		
(Increase) / decrease in net receivables	205,003	584,216
(Increase) / decrease in prepayments	(22,912)	7
Increase / (decrease) in employee provisions	(97,247)	(140,578)
Increase / (decrease) in supplier payables	(54,279)	13,597
Increase / (decrease) in other payables	(47,226)	(67,863)
Net cash from/ (used by) operating activities	<u>28,615</u>	<u>(85,402)</u>

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people

Note 9: Employee Provisions

	2017	2016
	\$	\$
Note 9: Employee Provisions		
Leave	<u>553,833</u>	651,080
Total employee provisions	<u>553,833</u>	<u>651,080</u>

Accounting Policy

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.

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people

Note 9: Employee Provisions

Accounting Policy

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 2017. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The other factors which have been considered in determining the long term leave liability for long service leave include salary growth, probability factors and on costs.

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's administered schedules and notes.

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

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

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people

Note 10: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of PSR, directly or indirectly, including any director (whether executive or otherwise) of PSR. PSR has determined the key management personnel to be the Director, Executive Officer, Corporate Solicitor, Special Counsel, and the Chief Finance Officer. Key management personnel remuneration is reported in the table below:

	2017	2016
	\$	\$
Short-term employee benefits	881,546	871,326
Post-employment benefits	134,535	122,147
Other long-term employee benefits	83,327	87,438
Total key management personnel remuneration expenses¹	1,099,408	1,080,911

The total number of key management personnel included in the above table are 9 individuals (2016: 5 individuals). During the reporting period, 4 of the 9 individuals left PSR while 4 were on acting arrangements. One key management personnel was promoted during the reporting period.

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.
2. Prior year comparatives have been determined using the definition of key management personnel under AASB 124.

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people

Note 11: Related Party Disclosures

Related party relationships:

PSR is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in

The following transactions with related parties occurred during the financial year:

The entity transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including the payment of workers compensation and insurance premiums. These are not considered individually significant to warrant separate disclosure as related party transactions.

Refer to Note 9 Employee Provisions for details on superannuation arrangements with the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), and the PSS accumulation plan (PSSap).

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related party transactions to be separately disclosed.

Managing uncertainties

This section analyses how PSR manages financial risks within its operating environment

Note 12: Contingent Assets and Liabilities

Quantifiable Contingencies

At 30 June 2017, PSR did not have any quantifiable contingencies (2016: nil).

Unquantifiable Contingencies

PSR is currently involved in a litigation case before the Federal Court which may result in costs awarded in favour of PSR. PSR has been advised by its solicitors that the amount cannot be reliably estimated. No further disclosure has been made on the grounds that it can be expected to prejudice seriously the outcome of the litigation (2016: nil).

Significant Remote Contingencies

At 30 June 2017 PSR did not have any significant remote contingencies (2016: nil).

Accounting Policy

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

Managing uncertainties

This section analyses how PSR manages financial risks within its operating environment

Note 13: Financial Instruments

	2017	2016
	\$	\$
Note 13: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	100,512	95,667
Trade and other receivables	<u>77,572</u>	<u>27,530</u>
Total loans and receivables	<u>178,084</u>	<u>123,197</u>
Total financial assets	<u>178,084</u>	<u>123,197</u>
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - Suppliers	<u>287,858</u>	<u>351,897</u>
Total financial liabilities	<u>287,858</u>	<u>351,897</u>

Managing uncertainties

This section analyses how PSR manages financial risks within its operating environment

Note 13: Financial Instruments

Accounting Policy

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.

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.

Effective Interest Method

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

Impairment of Financial Assets

All assets were assessed for impairment at 30 June 2017.

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.

Financial Liabilities

PSR classifies its financial liabilities as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

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.

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).

Managing uncertainties

This section analyses how PSR manages financial risks within its operating environment

Note 14: Fair Value Measurement

Accounting Policy

Fair Value Measurement

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

Note 14: Fair Value Measurements

	Fair value measurements at the end of the reporting period	
	2017	2016
	\$	\$
Non-financial assets		
Leasehold improvements - Level 3	287,100	92,036
Other property, plant and equipment - Level 2	21,920	6,193
Other property, plant and equipment - Level 3	74,200	113,233
Total non-financial assets	383,220	211,462
Total fair value measurements of assets in the statement of financial position	383,220	211,462

1. No change in valuation technique occurred during the period

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

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

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 PSR's IPS can be accessed via the [PSR website](#).

Contact officer

All freedom of information requests should be directed to:

Freedom of Information Officer
Professional Services Review
PO Box 74
Fyshwick ACT 2609

Appendix 4

Statutory Appointments

The PSR Agency is required to publish the details of statutory appointments made under the Act to enable the operation of the PSR Scheme. The roles described below are statutory appointments made by the Minister of Health. The following table of statutory appointments sets out a full list of current appointees, as at 30 June 2017, their dates of appointment and the roles to which they have been appointed.

Title	First Name	Last Name	Appointment Commenced	Appointment Expires	Type of Appointment
Prof	Julie	Quinlivan	13-Feb-17	13-Feb-20	Director, PSR
Dr	Dominic	Barbaro	30-May-17	31-Dec-18	Panel—Deputy Director
Dr	Annette	Barratt	30-May-17	29-May-22	Panel—Deputy Director
Dr	Kerrie	Bradbury	30-May-17	29-May-22	Panel
Dr	Warwick	Carter	30-May-17	31-Dec-18	Panel
Dr	Peter	Cheung	30-May-17	29-May-22	Panel
Dr	Helen	Chriss	30-May-17	29-May-22	Panel
Dr	Antonio	Cocchiaro	30-May-17	29-May-22	Panel
Dr	(Erica) Mary	Cohn	30-May-17	31-Dec-18	Panel—Deputy Director
Dr	(Erica) Mary	Cohn	22-May-16	21-May-18	Determining Authority Chair
Prof	Alan	Cooper	30-May-17	29-May-22	Panel—Deputy Director
Dr	Marcela	Cox	30-May-17	29-May-22	Panel—Deputy Director
Dr	Marjorie	Cross	30-May-17	29-May-22	Panel
Dr	Nicholas	Demediuk	30-May-17	29-May-22	Panel—Deputy Director
Dr	Antonio	Di Dio	30-May-17	29-May-22	Panel—Deputy Director
Dr	Thomas	Douch	30-May-17	29-May-22	Panel
Ms	Jane	Duffy	30-May-17	29-May-22	Panel
Dr	Stephen John	Dunn	30-May-17	29-May-22	Panel
Ms	Esther	Euripidou	30-May-17	29-May-22	Panel
Dr	Tim	Flanagan	30-May-17	29-May-22	Panel—Deputy Director
Dr	Karen	Flegg	30-May-17	29-May-22	Panel—Deputy Director
Ms	Sharon	Flynn	22-May-16	21-May-18	Determining Authority
Dr	Stuart	Game	30-May-17	29-May-22	Panel
Prof	Gerard Francis	Gill	30-May-17	29-May-22	Panel
Prof	Ronald	Grunstein	13-Dec-16	12-Dec-21	Panel
A/Prof	John	Gullotta	30-May-17	29-May-22	Panel
A/Prof	Hadia	Haikal-Mukhtar	30-May-17	31-Dec-18	Panel—Deputy Director

Title	First Name	Last Name	Appointment Commenced	Appointment Expires	Type of Appointment
Dr	Kerry	Harris	30-May-17	29-May-22	Panel
A/Prof	Charlotte	Hespe	30-May-17	29-May-22	Panel
Dr	Alan	Hodgson	30-May-17	29-May-22	Panel
Dr	Charles	Howse	30-May-17	29-May-22	Panel
Dr	Michael	Hurley	30-May-17	29-May-22	Panel—Deputy Director
Dr	Gerard	Ingham	30-May-17	29-May-22	Panel—Deputy Director
Dr	Kathleen	Keating	30-May-17	31-Dec-18	Panel—Deputy Director
Dr	Glynn	Kelly	30-May-17	29-May-22	Panel
Dr	Jennifer Helen	Kendrick	30-May-17	29-May-22	Panel
Dr	Heather	Knox	30-May-17	29-May-22	Panel
Dr	Vicki	Kotsirilos	30-May-17	29-May-22	Panel
Dr	Ailsa	Laidlaw	30-May-17	31-Dec-18	Panel—Deputy Director
Dr	Alan	Leeb	30-May-17	29-May-22	Panel
Dr	Peter	Lorenz	30-May-17	29-May-22	Panel
Dr	James	Lynch	30-May-17	31-Dec-18	Panel
Dr	Peter	Lynch	30-May-17	29-May-22	Panel—Deputy Director
Mr	Stuart	Macfarlane	30-May-17	29-May-22	Panel
Mr	Stuart	Macfarlane	30-May-17	29-May-20	Determining Authority
Dr	Ross	Mackay	30-May-17	31-Dec-18	Panel
Dr	Linda	Mann	30-May-17	29-May-22	Panel
Dr	Geoff	Markov	30-May-17	29-May-22	Panel—Deputy Director
Ms	Susan	McDonald	30-May-17	29-May-22	Panel
Ms	Susan	McDonald	30-May-17	29-May-20	Determining Authority
Dr	Rod	McMahon	30-May-17	29-May-22	Panel—Deputy Director
Dr	Robert	Menz	22-May-16	21-May-18	Determining Authority
Dr	Rakesh	Mohindra	30-May-17	29-May-22	Panel
Dr	Greg	Morris	30-May-17	29-May-22	Panel—Deputy Director
Dr	Brian	Morton	30-May-17	29-May-22	Panel—Deputy Director
Mr	Paul	Murdoch	14-Feb-17	21-May-18	Determining Authority
Dr	Robyn	Napier	30-May-17	29-May-22	Panel—Deputy Director
Prof	Matthew	Naughton	13-Dec-16	12-Dec-21	Panel
Dr	Harry	Nespolon	30-May-17	29-May-22	Panel
Dr	Mark	Overton	30-May-17	29-May-22	Panel
Dr	Russell	Pearson	30-May-17	29-May-22	Panel
A/Prof	Neil	Peppitt	30-May-17	29-May-22	Panel

Title	First Name	Last Name	Appointment Commenced	Appointment Expires	Type of Appointment
A/Prof	Neil	Peppitt	30-May-17	29-May-20	Determining Authority
Dr	Catherine	Reid	30-May-17	29-May-22	Panel
Dr	David	Rivett	30-May-17	29-May-22	Panel—Deputy Director
A/Prof	David	Rosenthal	30-May-17	31-Dec-18	Panel—Deputy Director
Dr	Shaun	Rudd	30-May-17	29-May-22	Panel
Dr	William	Ryman	30-May-17	29-May-22	Panel
Dr	Leon	Shapero	30-May-17	29-May-22	Panel—Deputy Director
A/Prof	Rashmi	Sharma	30-May-17	29-May-22	Panel—Deputy Director
Dr	Katherine	Smartt	30-May-17	29-May-22	Panel
Mr	David	Southgate	30-May-17	29-May-22	Panel—Deputy Director
Dr	Ben	Steinberg	30-May-17	29-May-22	Panel
Dr	Margaret	Stellingwerff	30-May-17	29-May-22	Panel
Dr	Jennifer	Thomson	22-May-16	30-Jun-17	Determining Authority
A/Prof	Francis	Varghese	23-Nov-16	22-Nov-21	Panel
Dr	Martine	Walker	30-May-17	29-May-22	Panel—Deputy Director
Dr	Ingrid	Wangel	30-May-17	29-May-22	Panel
Dr	Morgan	Windsor	30-May-17	29-May-22	Panel—Deputy Director
Dr	Felicity	Wivell	30-May-17	29-May-22	Panel—Deputy Director
Dr	Daniel	Xu	30-May-17	29-May-22	Panel
Dr	Guan	Yeo	30-May-17	29-May-22	Panel

Glossary

The Act means the *Health Insurance Act 1973*.

AHPRA means the Australian Health Practitioner Regulation Agency.

AMA means the Australian Medical Association.

APS means the Australian Public Service.

CDM means Chronic Disease Management.

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

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

Deputy Director means a deputy director of PSR appointed under s. 85 of the Act who serves as the chair of a Committee.

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

Director means the Director of PSR appointed under s. 83 of the Act.

Draft determination means the draft document detailing what action is proposed to be taken in a case, as required by s. 106T of the Act.

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

Final determination means the final document detailing what action will be taken in a case, as required by s. 106TA of the Act.

GP means general practitioner.

Inappropriate practice is defined under s. 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.

IT means information technology.

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 that generated a Medicare benefit.

Minister means the Australian Government Minister for Health.

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

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 PSR Panel who are appointed to represent the general body of their profession.

PGPA Act means the *Public Governance, Performance and Accountability Act 2013*.

Practitioner means a health professional who can access the Medicare and Pharmaceutical Benefits schemes, and includes a:

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

PSR means Professional Services Review.

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

Sanction means a direction from a range of directions specified in s. 106U of the Act.

List of requirements

Part of Report	Description	Requirement	Page Number
Letter of transmittal			
	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
Aids to access			
	Table of contents.	Mandatory	v–vii
	Alphabetical index.	Mandatory	83–87
	Glossary of abbreviations and acronyms.	Mandatory	74–75
	List of requirements.	Mandatory	76–82
	Details of contact officer.	Mandatory	ii
	Entity's website address.	Mandatory	ii
	Electronic address of report.	Mandatory	ii
Review by accountable authority			
	A review by the accountable authority of the entity.	Mandatory	ix–xii, 12–17

Part of Report	Description	Requirement	Page Number
Overview of the entity			
	A description of the role and functions of the entity.	Mandatory	1–3
	A description of the organisational structure of the entity.	Mandatory	18–20
	A description of the outcomes and programmes administered by the entity.	Mandatory	2–3
	A description of the purposes of the entity as included in corporate plan.	Mandatory	4
	An outline of the structure of the portfolio of the entity.	Portfolio departments mandatory	9–11
	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	Not applicable
Report on the Performance of the entity			
<i>Annual performance Statements</i>			
	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	4–17
<i>Report on Financial Performance</i>			
	A discussion and analysis of the entity's financial performance.	Mandatory	29–31
	A table summarising the total resources and total payments of the entity.	Mandatory	34
	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	Not applicable

Part of Report	Description	Requirement	Page Number
Management and Accountability			
<i>Corporate Governance</i>			
	Information on compliance with section 10 (fraud systems)	Mandatory	22
	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	21–22
	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	21–22
	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	21–22
	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	18–19
	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy noncompliance.	If applicable, Mandatory	Not applicable
<i>External Scrutiny</i>			
	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	22
	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	Not applicable
	Information on any reports on operations of the entity by the AuditorGeneral (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	Not applicable
	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	Not applicable

Part of Report	Description	Requirement	Page Number
Management of Human Resources			
	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	24
	<p>Statistics on the entity's APS employees on an ongoing and nonongoing basis; including the following:</p> <ul style="list-style-type: none"> • Statistics on staffing classification level; • Statistics on fulltime employees; • Statistics on parttime employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous. 	Mandatory	24–25
	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	25–26
	Information on the number of SES and nonSES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	25–26
	The salary ranges available for APS employees by classification level.	Mandatory	26
	A description of nonsalary benefits provided to employees.	Mandatory	26
	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	26
Management of Human Resources			
	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	26
	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	26
	Information on aggregate amount of performance payments.	If applicable, Mandatory	26

Part of Report	Description	Requirement	Page Number
Assets Management			
	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	29
Purchasing			
	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	29
Consultants			
	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	30
	A statement that <i>"During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory	30
	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	30
	A statement that <i>"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."</i>	Mandatory	30
Australian National Audit Office Access Clauses			
	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the AuditorGeneral with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	30

Part of Report	Description	Requirement	Page Number
Exempt contracts			
	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	30
Small business			
	A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory	30
	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	30–31
	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory	30
Financial Statements			
	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	35–69

Part of Report	Description	Requirement	Page Number
Other Mandatory Information			
	If the entity conducted advertising campaigns, a statement that <i>"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."</i>	If applicable, Mandatory	31
	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	Not applicable
	A statement that <i>"Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."</i>	If applicable, Mandatory	Not applicable
	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	28
	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	70
	Correction of material errors in previous annual report	If applicable, mandatory	Not applicable
	Information required by other legislation	Mandatory	31

Index

A

accommodation 28
Accountable Authority Instructions 22
address and contact details ii, 70
administrative issues xii
administrative team 19
advertising 31
after-hours services 15
air travel management services 29
allied health referrals xi, 13–14
annual report 31
asset management 29
Audit Committee 22, 23
AusTender 30
Australian Health Practitioner Regulation Agency (AHPRA) ix
Australian Medical Association (AMA) ix, x
Australian National Audit Office (ANAO) 23, 30
Australian Public Service (APS)
 staff 24–25
 Values 1, 23
Australian Workplace Agreements 25–26

B

bodies corporate, officers of 14
Brindabella Business Park 28
Business Manager 19
business planning 18–19

C

Case Management Unit 11, 19
case statistics
 determinations 5–6, 8
 negotiated agreements 7

new referrals xi, 5–6
no further action 7
peer review committees 7
re-referrals 8

chief executive *see* Director
Chief Executive Medicare, referrals from 5–6, 12–13
Chief Financial Officer 20
Chronic Disease Management (CDM) 13–14
clinically relevant service, definition of 12
clinical records ix
Code of Conduct 23, 24
Cohn, Mary 8
Commonwealth Contracting Suite 31
Commonwealth Fraud Control Framework 22
Commonwealth Procurement Rules 29–31
consultants 30
consultation xii
contact details ii, 70
contracting 30–31
Coote, Bill x, 18
corporate governance 18–19
Corporate Plan 11, 18, 19
Corporate Support Unit 19
court decisions 8–9, 16–17
culture, organisational 24

D

definitions of terms 74–75
deliverables 9–11
Dentsu Mitchell 31
Department of Finance 30
Department of Health
 compliance processes 12
 Health Provider Compliance Division 8, 11
 referrals from 6, 8, 19
 shared services arrangements 20
Deputy Directors
 appointments of x
 remuneration 27

training session x
determinations 5–6, 8
Determining Authority 8
Director
 appointment of 18
 comments by 12–17
 introduction by ix–xii
 remuneration 27
 role of 18
disability reporting mechanisms 28
Dwyer, Neil xii

E

ecologically sustainable development 31
employees *see* staff
enabling legislation ix
enterprise agreement 24–26
entity purpose 4
environmental performance 31
*Environment Protection and Biodiversity
Conservation Act 1999* 31
ethical standards 23–24
executive management team 20–21
Executive Officer 18–20
exempt contracts 30
external scrutiny 22

F

fairness 23
financial performance 29–31
financial statements 35–69
Flynn, Sharon 8
fraud control 22
Freedom of Information Act 1982 30, 70

G

General Counsel *see* Executive Officer

general practitioner referrals xi, 13–14
Ginnane, Gayle 23
glossary 74–75
governance 18–19
GP Management Plans (GPMPs) 13
grants programs 31
Groenewegen, Paul 23

H

Health and Safety Committee 28
Health Assessment items 13
Health Insurance Act 1973 ix, 2, 12, 30
*Health Insurance (Professional Services
Review—Allied Health and Others)
Determination 2012* 2
*The Health Insurance (General Medical Services
Table) Regulation 2017* 15
human resources management 24–28 *see also*
staff

I

inappropriate practice
 definition of 12
 officers of bodies corporate 14
 protection against 4–5, 9–10
Information Publication Scheme (IPS) 70
Internal Audit Plan 22

J

judicial review 8–9, 16–17

K

key performance indicators 9–10, 17 *see also*
performance

L

leadership 20–21 *see also* Director

legal issues 8–9, 16–17
legal services expenditure 30
legislation enabling PSR ix
letter of transmittal iii

M

Macfarlane, Stuart 8
market research 31
McDonald, Susan 8
medical boards, referrals to 8
Medicare, referrals from 5–6, 12–13
Medicare Benefits Schedule (MBS) 2–3, 12
 Chronic Disease Management items 13–14
Menz, Robert 8
midwifery referrals xi, 13–14
Minister responsible x
Murdoch, Paul 8

N

National Disability Strategy 2010–2020 28
negotiated agreements 7
Noetic 21
‘no further action’ decisions
non-salary benefits 26

O

O’Farrell, Patricia xii
officers of bodies corporate 14
organisational structure 18–20
outcome 2–3, 34
overview of Agency 1–3

P

peer review committees ix, 7, 12
Peppitt, Neil 8
performance 4–17
 agency 5–9
 Director’s comments 12–17
 environmental 31
 financial 29–31
 against Portfolio Budget Statements 9–11
 purpose 4–5
Performance Development Scheme (PDS) 24, 27
performance pay 26
performance reporting framework 18
Pharmaceutical Benefits Scheme (PBS) 2–3, 12
physical assets 29
plans
 business 18–19
 corporate 11, 18, 19
 fraud control 22
 internal audit 22
 risk management 21–22
Portfolio Budget Statements 9–11
portfolio shared services arrangements 20
practice arrangements 14
practitioners subject to review 2
Pricewaterhouse Coopers (PwC) 22, 23
procurement initiatives 30–31
professionalism 24
Professional Services Review (agency)
 accommodation 28
 corporate governance 18–19
 Corporate Plan 11, 18, 19
 executive management team 20–21 *see also*
 Director
 Executive Officer 18–20
 financial statements 35–69
 future of 3
 objectives 2
 organisational structure 18–20
 outcome 2–3, 34
 overview of 1–3

- performance report *see* performance
- publications 31, 70
- purpose 4
- resource statement 34
- statutory appointments 71–73
- values and behaviours 1, 23–24
- Professional Services Review Advisory Committee (PSRAC) xii
- Professional Services Review Panel ix, x, 7, 27, 71
- Professional Services Review Scheme ix, 1, 2
- professional support 5, 10
- Protective Security Policy Framework 23
- publications 31, 70
- Public Governance, Performance and Accountability Act 2013* (PGPA Act) 4, 18, 22, 23, 30
- public office holders 27
- Public Service Act 1999* 1, 23, 24
- purchasing 29
- purpose statement 4

Q

- qualitative deliverables 9–11
- quantitative deliverables 9
- Quinlivan, Julie 18 *see also* Director

R

- Rankin, David x, 18
- records management 19
- recoveries x
- referrals
 - case statistics xi, 5–6
 - diversity in xi, 13–14
 - to medical boards and other bodies 8
 - from Medicare 5–6, 12–13
 - re-referrals 8
 - specialists xi, 13–14
 - urgent after-hours services 15
- remuneration 25–26

- resource statement 34
- risk management 21–22

S

- salary ranges 25–26
- sanctions ix
- Selia v The Commonwealth* [2017] 16
- Senior Executive Service (SES) 25–26
- senior executive team 20–21
- Sevdalis v Director Professional Services Review* [2017] 17
- shared services arrangements 20
- small business procurement initiatives 30–31
- Special Counsel 20
- specialist referrals xi, 13–14
- staff
 - administrative 19
 - case management 19
 - enterprise agreement 24–26
 - non-salary benefits 26
 - numbers 24–25
 - performance pay 26
 - training and development 27
 - work health and safety 28
- stakeholders 1, 5, 10
- statutory appointments 71–73

T

- Team Care Arrangements (TCAs) 13
- terminology 74–75
- Thomson, Jennifer 8
- Topperwien, Bruce xii
- training and development
 - Panel members x
 - staff 27
- transparency 23
- Treasury appropriation x

U

urgent after-hours services 15

V

values and behaviours 1, 23–24

W

website ii, 70

work health and safety 28

workplace diversity 25

