



Australian Government
Professional Services Review

Professional Services Review Annual Report 2017–18



Professional Services Review
Annual Report 2017–18



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Letter of transmittal

The Hon. Greg Hunt MP
Minister for Health
Parliament House
Canberra ACT 2600

Dear Minister

I am pleased to present to you the annual report of the Professional Services Review Agency for the year ended 30 June 2018.

The report has been prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which requires that I prepare and provide an annual report to you for presentation to the Parliament.

The report includes the agency's audited financial statements as required under section 43(4) of the PGPA Act.

As required by section 10 of the Public Governance, Performance and Accountability Rule 2014, I certify that:

- The agency has prepared fraud risk assessments and fraud control plans
- The agency has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet its specific needs
- I have taken all reasonable measures to appropriately deal with fraud relating to the agency.



Professor Julie Quinlivan
Director of Professional Services Review

11 October 2018

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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 the billing and prescribing practices of referred practitioners. The Director appoints the practitioners who will provide peer review in a particular Committee from 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, social media check 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. Records are confidentially reviewed by a peer consultant, the Director, and if necessary, a Committee of peers, who determine whether 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 and disqualification 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). If concerns about major non-compliance or fraud emerge, the Director will also refer these matters on to the appropriate authority.

Professional Services Review in 2017–18

Corporate and employer referrals

Amendments of PSR's enabling legislation received Royal Assent on 29 June 2018, and came into effect on 1 July 2018. The legislation will enhance the capacity of PSR to receive referrals to review employers or corporations where there is a concern about possible inappropriate practice. PSR received its first corporate referral on 28 June 2018. Corporate or employer referrals create additional complexity to review processes.

Increased recoveries

The highlight of the 2017–18 year was a doubling of recoveries ordered. 2016–17 was the first year in which the funds PSR ordered to be recovered were greater than its Treasury appropriation. In 2017–18, PSR doubled this previous record in ordered recoveries to \$20,845,546.

Table 1 summarises recoveries ordered from s. 92 agreements made by the Director of PSR and through PSR Committees in recent years.

Table 1: Treasury appropriation and PSR recoveries¹

Year	Treasury Appropriation \$	Ordered recoveries from PSR Committees \$	Ordered recoveries from Director s. 92 agreements \$	Total ordered recoveries \$
2017–18	5,518,000	4,656,988	16,188,558	20,845,546
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

Increased workload

PSR staff numbers and budget have been static for several years despite a significant increase in workload. There has been an increase in both the number of referrals, as well as the complexity of each referral with more MBS and PBS items being reviewed in each review. Staff numbers have not increased in this same time period. PSR is seeking a strategy to better align workload to appropriation and staff numbers.

¹ Ordered recoveries represent repayments ordered to be made 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 focus on patient safety

PSR continued to focus on patient safety. Contracted reviewers and PSR Committees were asked to advise the Director of cases where patient safety was compromised and referrals were made to appropriate bodies. Overall, six practitioners were referred to a regulatory body for possible patient safety concerns.

Engagement with stakeholders and the professions

PSR continued to expand its engagement strategies. I spoke at several medical, compliance and indemnity meetings and conferences. This included presenting two research abstracts on PSR peer review processes to a large International medical education meeting. One abstract was delivered as keynote speaker. I also met with stakeholders in compliance, clinical indemnity and private hospitals associations. We updated the PSR website to enable us to publish monthly updates of case outcomes. The PSR Advisory Committee (PSRAC) remains an important means of consultation. It draws its membership from the Department of Health, AMA and PSR.

Diversity in referrals

PSR continued to see greater diversity in referrals. Traditionally, PSR referrals focused primarily on general practitioners and other medical practitioners, rendering general practice services. In 2017–18 referrals were also received for dentists, chiropractors, nurse practitioners, independent midwives, optometrists and a wide range of medical specialists.

Urgent after-hours and 'schedule 8' medications initiatives

An initiative by the Department of Health Compliance Unit resulted in an increased number of referrals of practitioners who billed large volumes of urgent after-hours consultations. A second initiative in the area of prescribing resulted in an increase in PBS related referrals. These issues are discussed in more detail in the Director's comments of the Performance statement (section 2).

Recruitment of specialist, midwifery, nursing and female PSR Panel Members

As a result of referrals in new areas including independent midwifery, nurse practitioner and a number of medical specialist areas, PSR managed appointment processes that led to new Ministerial appointments to the PSR Panel. Further, in order to redress the imbalance between male and female members of the PSR Panel, additional appointments were sought from female general practitioners in a number of states.

Training was held for PSR Panel members in May 2018 in Sydney and Melbourne. Training focused on privacy legislation, procedural fairness and strategies to manage difficult situations in hearings. We also held a training session for Deputy Directors, who act as Chairs of PSR Committees. This training focused on how a Committee might run if the 'person under review' were to be an employer or corporate body.

Administrative issues within PSR

A key outcome in 2017–18 was a dramatic improvement in workers compensation claims within the agency. As a result of claims prior to 2016, the agency carried a significant penalty in Comcare worker's compensation premiums. As a result of the agency staff lodging no new claims for the past two years, there was a large reduction in Comcare premiums. Steps to achieve this positive organisational change included cultural reform, greater emphasis on staff training, creation of a workplace that does not tolerate bullying, and safety training. This is a remarkable outcome for which all staff are to be commended.

Other important administrative issues resolved in the year were:

- A new fit out of premises to enable Determining Authority and some Committee hearings to be accommodated on site rather than hiring off site premises
- Implementation of stronger privacy practices including appointment of two privacy officers and a privacy champion
- Responding to two new Federal Court challenges.

Conclusion

As Director, I would like to acknowledge the professionalism and commitment of all PSR staff. 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 and Australian Medical Association with whom PSR liaises on a regular basis.



Professor Julie Quinlivan
Director of Professional Services Review



1 Agency overview

The Professional Services Review Scheme

The high quality and integrity of Australia's health system is recognised internationally. Preventing inappropriate practice is crucial to maintaining this high quality and integrity and in retaining the confidence of the Australian public in the 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 2017–18, 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 2017–18, PSR engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme. During the year, PSR met with its stakeholders on 37 occasions.

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 of the Act.

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 and the Pharmaceutical benefits programs.

PSR OUTCOME: A reduction of the risks to patients and costs to the Australian Government of inappropriate 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 benefits and Pharmaceutical benefits programs 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 benefits and Pharmaceutical benefits programs.

The PSR Scheme has continued to evolve since its inception. Legislative amendments were made in 1997, 1999, 2002, 2006, 2012, and 2018 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 2017–18 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 2017–18 reporting period, PSR continued to:

- investigate health care professionals
- refer matters to Committees
- progress PSR Committee hearings

PERFORMANCE STATEMENT

- 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 2017–18, the 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
- Skin Cancer College Australasia.

Professional Services Review Agency performance

The following sets out PSR's performance criteria and provides details of its results for activities undertaken during 2017–18. This included work on the 89 cases already on hand at the commencement of the reporting period, and the 109 cases that were received during 2017–18.

A total of 73 cases were brought to a conclusion and, at the end of the reporting period, 125 cases had not been finalised and were in various stages of completion.

New referrals from the Chief Executive Medicare

The Chief Executive Medicare sent 109 requests in 2017–18. This figure represents about 60% more cases than the long term historical annual average for the agency.

In 2017–18, PSR completed 73 cases. Of these, one was the subject of a decision by the PSR Director to take no further action, 49 were resolved by negotiated agreements that were subsequently ratified by the Determining Authority (thereby becoming effective), and 17 resulted in final determinations by the Determining Authority that became effective during the reporting period. Six cases were administratively closed.

No cases resulted in a finding by a PSR Committee of no inappropriate practice. During the reporting period, 19 cases were referred by the PSR Director to a Committee of peers. This too marks a significant increase on the historic annual average number of cases referred to Committee.

Table 2 compares PSR's case statistics for 2017–18 with those of the previous reporting period.

Table 2: PSR's case statistics, 2017–18 and 2016–17

Action	2017–18	2016–17
Requests received from Department of Health	109	81
Requests by Department of Health to review a practitioner with a previous effective determination for a second or subsequent time	10	7
No further action	1	10
Requests withdrawn or lapsed	0	0
Referrals from the PSR Director to new PSR Committees	19	13
Committees in progress (at 30 June)	23	18
Committee reports finalised	12	13
Reports finding inappropriate practice	12	13
Reports finding no inappropriate practice	0	0
Committee matters indefinitely suspended	3	1
Referrals to medical boards or AHPRA	14 ^a	15
Referrals to Chief Executive Medicare for suspected fraud	1	4
Negotiated agreements ratified and effective	49	61
Draft determinations made	13	6
Final determinations made	14	4
Final determinations effective	17	6
Cases on hand at 30 June ^b	125	89

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

a 14 referrals were in respect of 11 practitioners.

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

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 one of the 73 cases completed in 2017–18.

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 2017–18, 49 negotiated agreements became effective. Outcomes of these negotiated agreements included:

- repayment orders totalling \$16,188,558
- partial disqualification in 12 cases and full disqualification in two cases.

The practitioners concerned included general practitioners, other medical practitioners, midwives and specialists. Repayments ordered ranged from \$15,000 to \$2,000,000, with more than half of the agreements involving repayments of \$200,000 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: 9% practise in inner regional areas, and 4% practise in outer regional areas. Women comprise 37% of the PSR Panel.

During 2017–18, the Director established 19 PSR Committees. Of the 19 practitioners referred to a PSR Committee, 10 were general practitioners, five were specialists, three were other medical practitioners and one was another health professional. Three of them were from inner regional areas and the other 16 worked in a major city.

At the end of the reporting period, 15 of the PSR Committees established in 2017–18 were still in progress. Two final reports had been sent to the DA and two Committee processes had been indefinitely suspended. Committee hearings were held for 14 cases during the 2017–18 financial year. Twelve Committee final reports had been completed and sent to the Determining Authority, and all contained findings of inappropriate practice.

The Determining Authority

In May and June 2018, the Minister for Health appointed the following members to the Determining Authority for two-year terms: Dr Karen Flegg (chair), Dr Aniello Ianuzzi, Dr Antonio Di Dio, Mr Paul Murdoch, Ms Katerina Angelopoulos, Dr David Smith and Mr John Kilmartin.

During 2017–18, 17 final determinations became effective. The directions made by the Determining Authority were:

- reprimand and counselling in thirteen cases
- partial disqualification from Medicare benefits in three cases, for between 3 and 18 months, 6 months full disqualification from the MBS in another case and 12 months disqualification from the PBS in another case
- repayment of Medicare benefits, ranging from \$869.10 to \$579,542 (totalling \$4,656,988.04).

Re-referrals

In 2017–18 the Chief Executive Medicare made ten 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 2018, eight of these cases were still under review, one had resulted in a negotiated agreement and one had been referred to a Committee.

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 2017–18, the Director made 14 referrals of practitioners to AHPRA, medical boards or other bodies. This is consistent with the levels of referrals in the previous financial year.

Judicial review

Practitioners involved in the PSR process can seek judicial review in the federal courts.

One action involving PSR commenced in the Federal Court in a previous year was heard in 2017–18 with a decision reserved at the end of the reporting period. One further matter was commenced in the Federal Court in 2017–18.

Performance against Portfolio Budget Statements 2017–18

Performance criteria

Table 3 outlines the quantitative key performance indicators specified for PSR in the Portfolio Budget Statements 2017–18:

Table 3: Protecting against inappropriate health care practice

Quantitative performance criteria	2017–18 Target	2017–18 Actual
Percentage of reviews by the Director of PSR finalised within 12 months	100%	100%
Total number of matters for review finalised ^a	50	67
Percentage of court cases where PSR's application of the law upheld	100%	N/A

^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 and cases considered indefinitely in abeyance.

In 2018–19, 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. PSR will also refer to the major non-compliance unit in the Department of Health any practitioner where a serious compliance concern is generated.

Quantitative deliverables

PSR continued to act on referrals from the Chief Executive Medicare during 2017–18, completing 67 matters.

Qualitative deliverables

The qualitative key performance indicators specified in PSR's Portfolio Budget Statements 2017–18 are shown in Tables 4 and 5 (overleaf).

Table 4: Protecting against inappropriate health care practice

Qualitative performance criteria	2017–18 Reference point or target
The Director will conduct reviews of practitioners referred by Chief Executive Medicare and in appropriate cases enter into agreements.	The Director conducted reviews of practitioners referred by Chief Executive Medicare and in appropriate cases entered into agreements.
PSR Committees will be convened and will conduct hearings in a timely manner ensuring that practitioners being reviewed by their peers are afforded procedures fairness in each stage of the process.	PSR Committees were convened and hearings were conducted in a timely manner. PSR committees ensured that practitioners were afforded procedures fairness in each stage of the process.
The Determining Authority will ratify agreements and make appropriate determinations of sanctions.	The Determining Authority ratified agreements and made appropriate determinations of sanctions.

Table 5: Maintaining professional support for PSR

Qualitative performance criteria	2017–18 Reference point or target
Professional bodies are actively engaged in the process for appointments to the PSR Panel, and PSR receive the required number of nominees to ensure broad professional representation on the PSR Panel.	Professional bodies were actively engaged in the process for appointments to the PSR Panel, and PSR received an appropriate number of nominees to ensure broad professional representation on the PSR Panel.

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 2017–18, 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 indicated frequently 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 2017–18.

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.

PERFORMANCE STATEMENT

Throughout 2017–18, 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 Director’s 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 2017–18, PSR’s Case Management Unit added staff 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, taxpayer-funded medical insurance system, was established in 1984. The scheme is administered and financed by the Australian Government. In 2017–18, Medicare paid subsidies of over \$23 billion for 414.3 million medical services for the Australian population of over 24.8 million people.

Medicare 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 in relation to billing under the MBS or prescribing under the PBS. 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 it would be unacceptable to the general body of the practitioner’s peers. This broad test is applied by expert Committees constituted with peers drawn from the same speciality or profession of a practitioner under review.

The Department of Health has initial responsibility for monitoring compliance of practitioners and employers who provide services under Medicare and the Pharmaceutical Benefits Scheme. It undertakes a variety of compliance activities such as random audits, and also investigates suspected fraud. Department of Health staff evaluate unusual patterns of practice revealed by data analysis of Medicare payments.

Medicare primarily detects suspected cases of inappropriate practice through analysis of practitioners' billing activity. The kinds of conduct that may result in 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 second tier antibiotics; or
- other atypical practice.

Of the 115,000 practitioners in Australia, the Department write to several thousand each year to inform them of their billing or prescribing patterns. Departmental medical officers also interview several hundred practitioners each year regarding their billing or prescribing patterns. Only a small number of practitioners receiving a letter or interview will be referred to PSR.

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

Practitioners referred to PSR in 2017–18

During 2017–18, the Agency was able to efficiently accommodate a significant increase in activity compared with previous years, reflected by an increase in both the number of new referrals and the complexity of each referral. The Agency also finalised significantly more Committee matters than in previous years.

A number of different specialists were referred by Medicare, including specialists in haematology, ophthalmology, rheumatology and general surgery. A higher volume of non-medical practitioners were also referred including a chiropractor, dentist, nurse practitioners, and an independent midwife.

Urgent after-hours services

The PSR received a high number of referrals related to urgent after-hours billing. In previous annual reports we have commented on the usage by practitioners under review of urgent after-hours item numbers. We have noted that practitioners 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':

PERFORMANCE STATEMENT

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.

There is a significantly 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.

PSR has now finalised many cases relating to the use of urgent after-hours items. Some common themes have emerged from those cases. These include that inappropriate practice may be found if one or more of the following are present:

- A poor history (this includes findings over failure to document smoking status, allergies, relevant comorbidity, current medications, and to identify the red flags specifically excluded in the presentation)
- A poor examination (this includes findings over failure to examine key systems involved in the presentation and specifically exclude serious concerns)
- Failure to make a diagnosis or list a differential diagnosis (this includes findings over merely repeating the presenting symptom such as a sore wrist, a painful shoulder, a sore back, a cough or abdominal pain, without making a diagnosis)
- Inappropriate management (this includes findings over prescribing second tier antibiotics when there is no evidence of antibiotic resistance and/or where doing so is contrary to Australian antibiotic guidelines, or prescribing strong analgesic medication or benzodiazepines without clear cause)
- Treatment was not required urgently and could have been deferred to the next in hours period. This includes findings that the following types of consultations may not be considered by peers to be urgent:
 - upper respiratory tract infections in children and adults with no major underlying respiratory comorbidity
 - viral gastroenteritis with nausea and vomiting
 - rashes in patients who are otherwise systemically well
 - medical certificates
 - otitis externa or interna in patients with no underlying ear comorbidity
 - filling prescriptions for patients who have run out of medication or rewriting nursing home medication charts
 - requests for strong pain relief in patients with chronic or recurrent conditions.

However, any finding of inappropriate practice depends on the unique situation of each consultation, the particular conduct of the person under review and whether such conduct would be unacceptable to the general body of the practitioner’s peers.

MBS Chronic Disease Management items

Chronic Disease Management (CDM) and Health Assessment items continue to be an issue in many matters referred to PSR. These items carry high fees. Practitioners referred to PSR often bill these items for a high percentage of their patients and this leads to substantial Commonwealth expenditure.

It remains that many practitioners who render these items rely heavily on computer-generated templates, with no or very little meaningful patient-specific content. Often practitioners have a nurse or assistant complete the plan, despite these services being general practitioner attendance items. Some practitioners bill these items when they are not the usual care provider of the patient.

PSR has now finalised many cases relating to the use of chronic disease management items and health assessments. Some common themes have emerged from those cases. These include that inappropriate practice may be found if one or more of the following are present:

- The patient does not have a suitable chronic disease or terminal illness (this includes findings that isolated hypertension, high cholesterol, plantar fasciitis or undiagnosed pain conditions may not be a chronic disease or terminal illness)
- There has been no assessment made of the functional impact of the chronic disease or terminal illness to enable care planning to occur (this includes failure to take a history, examine, investigate or obtain a functional assessment of how the chronic disease or terminal illness impacts upon the particular patient)
- No individualised goals have been developed to address the impact of the chronic disease or terminal illness on the individual patient (often a generic template is pasted which lacks any individualisation to the patient for whom the service is billed and no **S**pecific **M**easurable **A**chievable **R**ealistic and **T**ime limited (SMART) goals relevant to the individual patient are recorded)
- Patients have not provided signed consent (no patient consent is recorded within the medical record in any form)
- There is no evidence at least two external providers who will provide care that will specifically address a SMART goal in their management plan have been contacted and agreed to participate in the team care arrangement
- Reviews are not clinically indicated and/or fail to reassess the functional status of the chronic disease against the status of the patient at the time when the original plan was developed and/or there is no refinement of management when goals have not been met
- Plans are developed by a practice nurse or assistant with limited or no obvious clinical input from the attending medical practitioner.

However, any finding of inappropriate practice will again depend upon the unique situation of each consultation, the conduct of the person under review and whether such conduct would be unacceptable to the general body of the practitioner’s peers.

Pharmaceutical referrals

PSR has also been referred practitioners where there have been concerns about their level of prescribing schedule 8 medication, antibiotics or expensive subsidised PBS items. Findings of inappropriate practice have been made when practitioners prescribe high volumes of multiple schedule 8 medications without checking for doctor shopping behaviours, exploring non-drug management options, seeking specialist or multidisciplinary help in management or ignoring addictive behaviours such as repeated lost prescriptions or consistently returning for repeat prescription early. This inappropriate behaviour contributes to prescription drug deaths and morbidity.

Findings of inappropriate practice in relation to antibiotics have included practitioners repeatedly prescribing second tier antibiotics such as amoxicillin and clavulanic acid when there is no evidence of resistance to first tier medications such as penicillin or amoxicillin alone, without clavulanic acid. This inappropriate behaviour contributes to the generation of antibiotic resistance within the Australian community.

Unfortunately PSR cannot order recoveries for inappropriate practice in relation to the Pharmaceutical Benefits Scheme. It also cannot disqualify in a subset of prescribing. It can only reprimand a practitioner or else escalate to a total disqualification on prescribing. This lack of refinement in response to a finding of inappropriate practice in relation to prescribing is problematic.

Employer or corporate referrals

In recent years the model of medical practice has changed and many practitioners are employed or contracted by larger corporate entities. Feedback has been received from some practitioners under review that employers have placed them under pressure to bill for services. In some cases, practitioners have provided copies of letters they have sent to their employer stating they object to their patients being booked in to see nurses or other assistants without their knowledge for services they do not feel were clinically indicated. These services were subsequently billed by the employer or corporate entity using the practitioner's provider number. In other cases, practitioners have described consultation items being added to procedural items by employers without their knowledge. As Director of PSR, I regard documentary evidence that the practitioner has raised concerns in regards to billing pressure with their employer prior to their referral to PSR as a mitigating factor.

In order to reinforce the need for employers and corporate entities to ensure clinically relevant and appropriate behaviour occurs, legislation was introduced to enhance the capacity of PSR to review employers or corporates within the health sector. This legislation received assent on 1 July 2018. PSR received its first corporate referral in June 2018. A key factor in reviewing employers or corporate entities is s. 82(2) of the Act which provides for a finding of inappropriate practice against 'an officer of a body corporate' who 'knowingly, recklessly or negligently' causes or permits a practitioner 'to engage in conduct that constitutes inappropriate practice'.

Specialists and non-medical practitioners

A diverse range of medical specialists, dental, nursing, midwifery and allied health practitioners were referred to PSR during 2017–18. Reviewing the provision of services by specialists and non-medical practitioners is more complex and expensive than reviewing the provision of services by general or other 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.

One outcome of the increase in specialist referrals has been a focus on items 104 and 105. Findings of inappropriate practice have been made when consultation items have been billed in association with procedural items when there is no evidence of a separate consultation, there is a lack of a valid referral, and there is a concern about poor documentation of the patient history, examination, diagnosis and management plan by the specialist. In some cases, consultations have been performed by assistants, with little evidence of clinical input from the specialist practitioner in the core elements of the medical consultation.

Legal issues

Practitioners involved in the PSR process can seek judicial review in the Federal Court. In 2017–18, no actions involving PSR were determined by the Federal Court.

Summary

In 2017–18, PSR has successfully managed an increasing workload and simultaneously achieved all key performance indicators.

The PSR now tackles a large number of matters across many professional areas. To assist the profession and community to understand the nature of PSR work, PSR has expanded its communication strategy. In addition to regular meetings with stakeholders, speaking at conferences and publishing review outcomes on the website, the PSR will now also publish its newsletter to PSR Panel members 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 a listed entity for the purposes of the PGPA Act, and the Director is prescribed as the agency's chief executive (accountable authority).

Professor Julie Quinlivan commenced an appointment for three years as Director on 13 February 2017.

Corporate governance and business planning

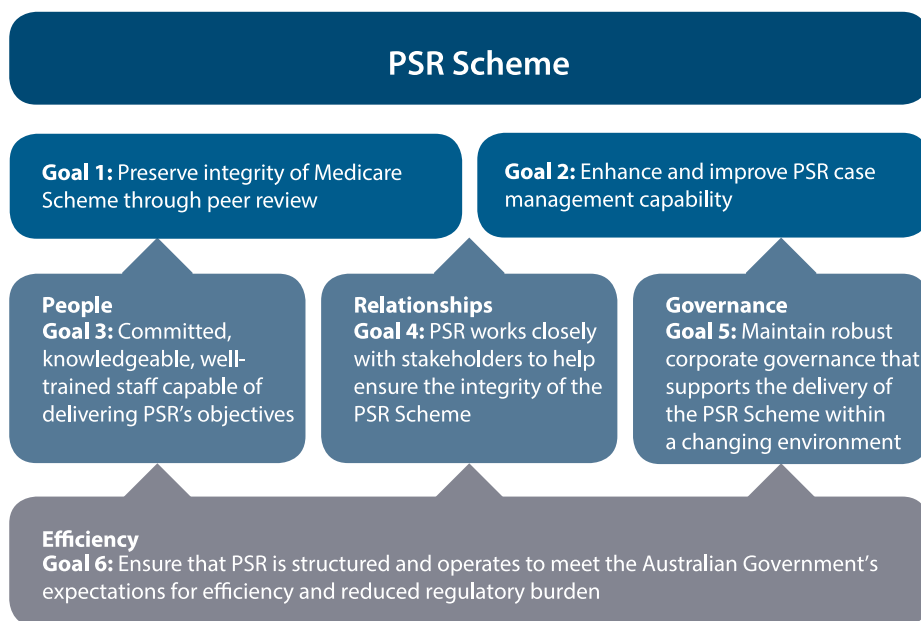
Overall accountability for PSR rests with the Director, who has primary authority and legal responsibility for the agency. The PSR Executive Officer, Mr Bruce Topperwien, reports to the Director. He is the senior APS officer responsible for the administrative management of the agency and also fulfils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

In 2017–18, 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.

The PSR Corporate Plan 2017–18 identifies six goals, as shown in Figure 1.

The PSR Corporate Plan is publicly available on the [PSR website](#). During 2017–18, PSR used this Corporate Plan as the basis for its performance reporting framework.

Figure 1: Six goals from the Professional Services Review Corporate Plan 2017–18



PSR = Professional Services Review

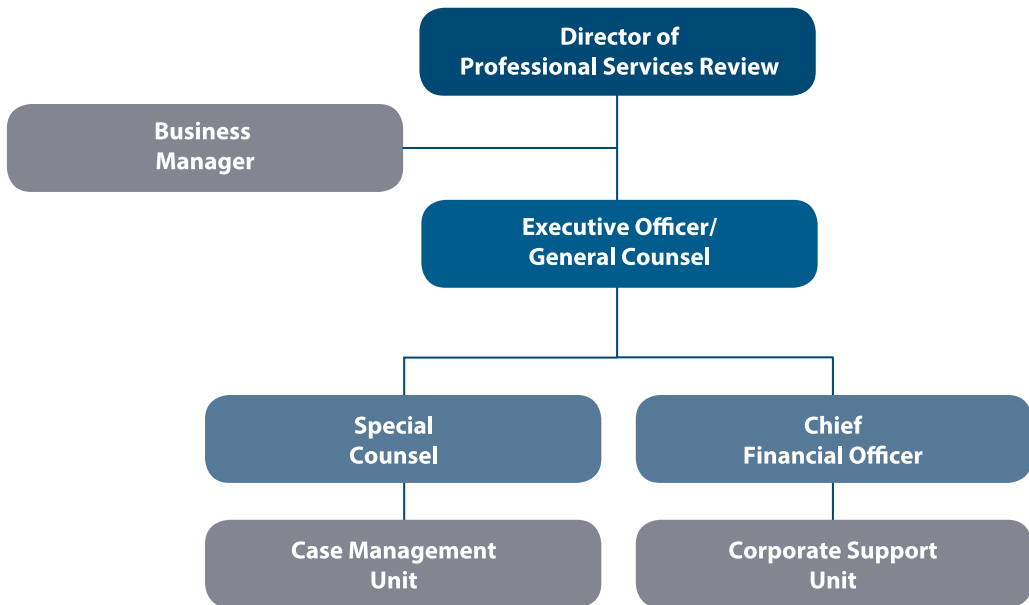
The agency's current structure (Figure 2) was refined in 2017–18. This structure provides for:

- a Case Management Unit, which is managed by the Special Counsel, deals with the increasing number of referrals from the Provider Benefits Integrity Division 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 finance, human resources, security and property management, 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. The Case Management Unit now has two Legal 2 Principal Legal Officers, a Legal 1 Senior Legal Officer and 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 three APS 4 administrative officers. This team is supported by senior records management staff.

Figure 2: Professional Services Review organisational chart, 2017–18



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 (who is also the manager of the Corporate Support Unit). 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 May 2018, 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 2017–18, there were no reported incidents of fraud.

External scrutiny

PSR was not subject to any other external reviews during 2017–18.

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.

The PSR Audit Committee consists of an independent chair, an independent member, and the agency's Executive Officer. In 2017–18, 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, who are currently PSR's internal auditors.

In 2017–18, the Audit Committee met on four occasions. In addition, the Chair reported regularly to the Director of PSR.

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

PSR staff are covered by PSR's 2016–19 enterprise agreement, which came into effect in February 2017.

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.

A staff satisfaction survey for 2017–18 indicated that 85% of staff felt valued in the workplace (23% strongly agreed; 62% agreed). Approximately 92% felt that PSR was a positive place to work, and overall enjoyed working for the organisation.

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 2018, PSR employed 21 APS staff members. Although PSR is a small agency, it has a number of specialist 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 6 and 7 provide details of staff numbers.

Table 6: PSR Australian Public Service staff at 30 June 2018

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	1	3	4	0	4	0	4
EL 1	0	2	2	0	1	1	2
APS 6	2	4	6	0	5	1	6
APS 5	1	3	4	0	2	2	4
APS 4	1	3	1	3	3	1	4
APS 3	0	0	0	0	0	0	0
Total	6	15	18	3	16	5	21

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

Table 7: PSR FTE at 30 June

Staff	30 June 2018	30 June 2017
Full Time Equivalent (FTE)	19.03	18.32

All staff employed by PSR at 30 June 2018 were based in the ACT. There were eight employees who did not speak English as their first language and 38% 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 2017–18, PSR recruited four non-ongoing and two ongoing employees. One non-ongoing and three ongoing employees left PSR through termination or retirement.

Enterprise agreement and Australian Workplace Agreements

At 30 June 2018, 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 8 lists PSR salary ranges for each classification.

Table 8: Current PSR salary ranges

Classification	Minimum (\$)	Maximum (\$)
APS 3	58,110	64,270
APS 4	65,707	70,540
APS 5	71,494	75,618
APS 6	79,196	93,036
Legal APS 6	80,967	89,342
EL 1	100,068	111,732
Legal EL 1	103,828	123,125
EL 2	112,100	138,630
Legal EL 2	134,654	145,466

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 2017–18, 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 2017–18, PSR awarded performance pay to Executive level employees who satisfied certain performance conditions specified by individual flexibility agreements.

Table 9 provides details of employees by classification, who received performance pay relating to the PDS cycle ending 30 June 2018. The total amount paid was \$35,824.

Table 9: Performance pay to PSR employees

Classification	Employees	Total Paid (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES Band 1/ Legal/EL 2	3	35,824	11,941	10,697	13,473

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 10 shows PSR Panel membership by practice location and gender.

Table 10: PSR Panel members at 30 June 2018

Location	Male	Female	Total
Australian Capital Territory	5	2	7
New South Wales	16	14	30
Northern Territory	0	0	0
Queensland	9	7	16
South Australia	4	3	7
Tasmania	2	2	4
Victoria	20	4	24
Western Australia	3	3	6
Total	59	35	94

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 2017–18, 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 2017–18, 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 2017–18, PSR entered into a new lease of its premises at Brindabella Business Park for five years. As part of lease negotiations, PSR underwent work on refitting the present accommodation space to better suit the needs of the organisation. The refit included:

- A new meeting room to facilitate formal Committee hearings and meetings suitable for the Determining Authority, as well as all staff meetings and workshops
- Converting workstations into two new offices
- Reconfiguration of workstations to better position staff within teams
- More office storage to improve management of physical case records.

All work was successfully completed by 30 June 2018.



4 Financial performance

PSR's departmental appropriation for 2017–18 was \$6,167,000, which includes \$649,000 for a departmental capital budget.

The agency's 2017–18 departmental expenses were \$5,809,717 (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 2017–18, 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 2017–18, PSR engaged 15 consultants under s. 90 of the *Health Insurance Act 1973*, with a total value of \$297,459 (inclusive of GST), to assist with the performance of the functions, duties and powers of the Director. In addition, PSR incurred further expenditure of \$164,360 (inclusive of GST) in relation to three consultancy contracts for the provision of legal services.

PSR spent a cumulative amount of \$22,977 (inclusive of GST) on consultancies during 2017–18 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 2017–18, 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 2017–18, 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 2017–18, PSR undertook one advertising campaign with Dentsu Mitchell for the recruitment of PSR's Determining Authority. Total payments to Dentsu Mitchell were \$2,353 (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 one publication in 2017–18:

- *Annual report 2016–17*.



Appendix 1

Professional Services Review's resource statement and outcome summary 2017–18

Table 11: Resource statement, 2017–18

Resource		Actual available appropriations for 2017–18 (\$'000) ^(a)	Payments made in 2017–18 (\$'000) ^(b)	Balance remaining (\$'000) ^(a-b)
Ordinary Annual Services ^a	Departmental appropriation ^b	6,520	6,330	190
Other services	Departmental non-operating	–	–	–
	Equity injections	–	–	–
	Previous year's outputs	–	–	–
	Total other services	–	–	–
Total resourcing and payments		6,520	6,330	190

Note: All figures are GST exclusive.

a Appropriation Acts (No. 1) 2017–18.

b Includes an amount of \$649,000 for the Departmental Capital Budget.

Table 12: Resource summary, Outcome 1^a

Program 1.1: Safeguarding the Integrity of the Medicare Program and Pharmaceutical Benefits Scheme	[A] Budget 2017–18 (\$'000)	[B] Actual expenses 2017–18 (\$'000)	[A - B] Variation (\$'000)
Departmental outputs	5,518	5,810	-292
Average staffing level (number)	21	20	1

a Outcome 1 is a reduction of the risks to patients and costs to the Australian Government of inappropriate practice, including through investigating health services claimed under the Medicare and Pharmaceutical Benefits schemes.



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 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 2018:

- (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 2018 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 2018 and for the year then ended:

- Statement by the Accountable Authority and the Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 are 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's 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, as applicable, matters related to going concern 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




Bola Oyetunji
Senior Executive Director
Delegate of the Auditor-General
Canberra
21 September 2018

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 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

20 September 2018



Linnet Lee
Chief Financial Officer
Professional Services Review

20 September 2018

APPENDIX 2: FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

	Notes	2018 \$	2017 \$	Original Budget 2018 \$
NET COST OF SERVICES				
Expenses				
Employee benefits	<u>1A</u>	2,609,065	2,496,691	2,649,863
Supplier expenses	<u>1B</u>	3,007,464	2,714,779	2,422,229
Depreciation and amortisation	<u>4A</u>	183,433	168,743	173,846
Finance costs	<u>1C</u>	1,776	2,653	2,653
Impairment of assets	<u>1D</u>	7,000	-	-
Losses from disposal of assets	<u>1E</u>	979	-	-
Total expenses		<u>5,809,717</u>	<u>5,382,866</u>	<u>5,248,591</u>
Own-Source Income				
Own-source revenue				
Rendering of services	<u>2A</u>	-	65,000	-
Other revenue	<u>2B</u>	32,500	31,500	33,000
Total own-source revenue		<u>32,500</u>	<u>96,500</u>	<u>33,000</u>
Gains				
Reversals of impairments	<u>2C</u>	-	29,246	-
Other gains	<u>2D</u>	20,858	-	-
Total gains		<u>20,858</u>	<u>29,246</u>	-
Total own-source income		<u>53,358</u>	<u>125,746</u>	<u>33,000</u>
Net cost of services		<u>5,756,359</u>	<u>5,257,120</u>	<u>5,215,591</u>
Revenue from Government - departmental appropriations	<u>2E</u>	5,518,000	5,131,000	5,042,000
Surplus (Deficit) attributable to the Australian Government		<u>(238,359)</u>	<u>(126,120)</u>	<u>(173,591)</u>
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		39,481	294,438	-
Total other comprehensive income		<u>39,481</u>	<u>294,438</u>	-
Total comprehensive income attributable to the Australian Government		<u>(198,878)</u>	<u>168,318</u>	<u>(173,591)</u>

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

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

Budget Variances Commentary

Statement of Comprehensive Income

Supplier expenses were \$585K (24%) higher than budget. The variance was due to an increase in the number of cases referred to PSR during the year (2018: 107; 2017: 81) and an increase in the number of hearings held (2018: 19; 2017: 12).

Finance costs relate to makegood interest on the office lease, which was lower than budget by 33%. The budget was based on 2016-17 figures in line with the makegood schedule and estimated provision at the time of budget.

Impairment of assets is higher than budget by \$7,000 and relates to a provision for doubtful debts. A settlement in favour of PSR for a litigation case recognised in prior year has been partially paid (68%). The remaining balance is overdue. PSR has assessed impairment at 32% of the remaining balance based on repayment activity to date. At the time of budget, there was no indication of impairment.

During the year, PSR also received \$476K in appropriation revenue under *Appropriation Act Bill (No. 5) 2017-18* as part of a new measure; Increasing Reviews of Medical Practitioners through PSR and the Practitioner Review Program (PRP).

As part of the annual stocktake, PSR identified fixed assets for disposal that were obsolete or in poor condition. The net book value of the assets disposed was \$979. These assets would not have been identified for disposal at the time of budget.

An increase in other gains of \$21K represents a Comcare refund for prior year premiums which could not be forecasted at the time of budget. Adjustments are made to premiums at the end of the relevant financial year.

At 30 June, PSR undertook a full revaluation of its leasehold improvements. During the year, PSR made changes to its office fitout which after revaluation, increased the asset revaluation reserve by \$39K. At the time of budget, work on the office refit had not been determined and therefore, movements in asset carrying amounts from the revaluation could not be estimated at the time of budget.

The year end deficit was mainly due to the increase in supplier expenses as discussed above.

APPENDIX 2: FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 \$	2017 \$	Original Budget 2018 \$
ASSETS				
Financial Assets				
Cash and cash equivalents	<u>3A</u>	79,764	100,512	79,000
Trade and other receivables	<u>3B</u>	2,242,890	2,213,356	2,502,000
Total financial assets		<u>2,322,654</u>	<u>2,313,868</u>	<u>2,581,000</u>
Non-Financial Assets				
Leasehold improvements	<u>4A</u>	493,551	287,100	261,000
Plant and equipment	<u>4A</u>	344,643	96,120	346,000
Intangibles	<u>4A</u>	368,481	331,122	297,000
Other non-financial assets	<u>4B</u>	44,898	60,700	38,000
Total non-financial assets		<u>1,251,573</u>	<u>775,042</u>	<u>942,000</u>
Total assets		<u>3,574,227</u>	<u>3,088,910</u>	<u>3,523,000</u>
LIABILITIES				
Payables				
Suppliers	<u>5A</u>	317,726	287,858	339,000
Other payables	<u>5B</u>	135,942	43,034	-
Total payables		<u>453,668</u>	<u>330,892</u>	<u>339,000</u>
Provisions				
Employee provisions	<u>9</u>	555,030	553,833	610,000
Provision for restoration obligations	<u>6</u>	95,400	88,800	100,000
Total provisions		<u>650,430</u>	<u>642,633</u>	<u>710,000</u>
Total liabilities		<u>1,104,098</u>	<u>973,525</u>	<u>1,049,000</u>
Net assets		<u>2,470,129</u>	<u>2,115,385</u>	<u>2,474,000</u>
EQUITY				
Contributed equity		1,646,497	997,497	1,646,000
Reserves		831,473	791,992	498,000
Retained surplus/(Accumulated deficit)		(7,841)	325,896	330,000
Total equity		<u>2,470,129</u>	<u>2,115,385</u>	<u>2,474,000</u>

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

Budget Variances Commentary

Statement of Financial Position

Trade and other receivables were lower than budget by \$259K (10%) which is consistent with an increase in supplier expenses.

Leasehold improvements were higher than budget by \$233K. During the year, PSR made changes to its office fitout, which had not been determined at the time of budget. The budget represents the asset's carrying value less depreciation during the year before work on the fitout was commissioned.

Intangibles have increased by \$71k (24%), which represent enhancements to PSR's case management system during the year which was not previously foreseen.

Other non-financial assets which have increased by \$7K (18%), represents a prepayment of additional software licences.

Other payables increased by \$136K and includes accrued salaries and superannuation, and the balance of PSR's lease incentive at year end. The budget did not take into consideration the lease incentive, but had also assumed a higher accrual for salaries and superannuation payable.

APPENDIX 2: FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2018

	2018	2017	Original Budget 2018
Notes	\$	\$	\$
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	997,497	854,497	997,000
Opening balance	997,497	854,497	997,000
Transactions with owners			
Contributions by owners			
Departmental capital budget	649,000	143,000	649,000
Total transactions with owners	649,000	143,000	649,000
Closing balance as at 30 June	1,646,497	997,497	1,646,000
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	325,896	452,016	503,000
Opening balance	325,896	452,016	503,000
Comprehensive income			
Surplus/(Deficit) for the period	(238,359)	(126,120)	(173,000)
Total comprehensive income	(238,359)	(126,120)	(173,000)
Transactions with owners			
Distributions to owners			
Returns of capital			
Repeal of prior year appropriations ¹	(95,378)	-	-
Total transactions with owners	(95,378)	-	-
Closing balance as at 30 June	(7,841)	325,896	330,000
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	791,992	497,554	498,000
Opening balance	791,992	497,554	498,000
Comprehensive income			
Other comprehensive income	39,481	294,438	-
Total comprehensive income	39,481	294,438	-
Closing balance as at 30 June	831,473	791,992	498,000

STATEMENT OF CHANGES IN EQUITY (Continued)

for the period ended 30 June 2018

	Notes	2018 \$	2017 \$	Original Budget 2018 \$
TOTAL EQUITY				
Balance carried forward from previous period		2,115,385	1,804,067	1,998,000
Opening balance		2,115,385	1,804,067	1,998,000
Comprehensive income				
Surplus (Deficit) for the period		(238,359)	(126,120)	(173,000)
Other comprehensive income		39,481	294,438	-
Total comprehensive income		(198,878)	168,318	(173,000)
Transactions with owners				
Distributions to owners				
Returns of capital				
Repeal of prior year appropriations ¹		(95,378)	-	-
Contributions by owners				
Departmental capital budget		649,000	143,000	649,000
Total transactions with owners		553,622	143,000	649,000
Closing balance as at 30 June		2,470,129	2,115,385	2,474,000

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

¹ *Appropriation Act (No. 4) 2017-18* repealed unspent Appropriation Acts from 1 July 2013 to 30 June 2014.

Budget Variances Commentary

Statement of Changes in Equity

Transactions with owners represent a repeal of unspent annual appropriation acts for *Appropriation Act (No. 1) 2013-14*.

Total comprehensive income has increased by approximately \$26K (15%). The variance is represented by an increase of \$65K in the agency's anticipated deficit, and an increase in the asset revaluation reserve, after an asset valuation was conducted on the agency's leasehold improvements at 30 June 2018.

APPENDIX 2: FINANCIAL STATEMENTS

CASH FLOW STATEMENT

for the period ended 30 June 2018

	2018	2017	Original Budget 2018
Notes	\$	\$	\$
OPERATING ACTIVITIES			
Cash received			
Appropriations	5,820,571	5,651,477	5,038,000
Sale of goods and rendering of services	20,858	21,000	-
Net GST received	257,680	212,576	272,000
Total cash received	6,099,109	5,885,053	5,310,000
Cash used			
Employees	2,563,055	2,647,728	2,989,000
Suppliers	3,081,483	2,987,185	2,321,000
Net GST paid	-	-	-
Section 74 receipts transferred to OPA	352,742	231,285	-
Total cash used	5,997,280	5,866,198	5,310,000
Net cash from/(used by) operating activities	8 101,829	18,855	-
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	541,930	12,597	289,000
Purchase of intangibles	90,510	109,755	360,000
Total cash used	632,440	122,352	649,000
Net cash (used by) investing activities	(632,440)	(122,352)	(649,000)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - Departmental capital budget	509,863	108,342	649,000
Total cash received	509,863	108,342	649,000
Net cash from financing activities	509,863	108,342	649,000
Net increase/(decrease) in cash held	(20,748)	4,845	-
Cash and cash equivalents at the beginning of the reporting period	100,512	95,667	79,000
Cash and cash equivalents at the end of the reporting period	3A 79,764	100,512	79,000

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

CASH FLOW STATEMENT

for the period ended 30 June 2018

Budget Variances Commentary

Cash Flow Statement

Cash drawn from departmental appropriation was higher than budget which is consistent with an increase in supplier expenses.

The movement in cash received for sale of goods and rendering of services of \$21K represents a Comcare refund for prior year premiums which could not be forecasted at the time of budget.

Cash used for employees was lower than budget by \$426K (14%). The budget assumes payments to employees are consistent with actual employee expenses from a prior 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 higher than budget by \$253K (88%). The increase was mainly due to work on the office fit out. At the time of budget, the extent of work required for the fitout had not been determined. There was also extra costs associated with the ICT server refresh project which commenced in 2017-18.

Cash used for intangibles was lower than budget by \$269K (75%) as the case management system was rolled out on 1 July 2017 and funds for the work was mostly drawn from prior year's budget allocation. Since roll out, further enhancements were made to the case management system and additional costs were incurred.

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 2017-18, 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 the cash flow statement.

Overview

Adoption of New Australian Accounting Standard Requirements

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

Future Australian Accounting Standard Requirements

During the 2017-18 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 2017-18 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 2017-18 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 2017-18 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 2018

Note 1: Expenses

	2018	2017
	\$	\$
Note 1A: Employee Benefits		
Wages and salaries	2,014,617	1,919,584
Superannuation		
Defined contribution plans	263,927	200,546
Defined benefit plans	68,912	122,758
Leave and other entitlements	261,609	253,803
Separation and redundancies	-	-
Total employee benefits	<u>2,609,065</u>	<u>2,496,691</u>

Accounting Policy

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

Note 1B: Suppliers
Goods and services supplied or rendered

Legal expenses	149,418	134,879
Case related fees	637,784	480,661
Other case related expenses	624,384	454,172
Consultant fees	415,758	400,088
Contractor expenses	133,171	367,753
Telephone and internet	74,146	49,321
Recruitment expenses	5,317	38,543
Other expenses	450,729	322,903
Total goods and services supplied or rendered	<u>2,490,707</u>	<u>2,248,320</u>

Other suppliers

Operating lease rentals	306,249	318,577
Workers compensation expenses	210,508	147,882
Total other suppliers	<u>516,757</u>	<u>466,459</u>
Total suppliers	<u>3,007,464</u>	<u>2,714,779</u>

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. PSR entered into a five year lease from 1 August 2017.

APPENDIX 2: FINANCIAL STATEMENTS

Financial Performance

This section analyses the financial performance of PSR for the year ended 2018

Note 1: Expenses

	2018	2017
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	354,642	345,535
Between 1 to 5 years	1,128,812	1,426,303
More than 5 years	-	30,419
Total operating lease commitments	1,483,454	1,802,257

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	1,776	2,653
Total finance costs	1,776	2,653

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 on financial instruments	7,000	-
Impairment of property, plant and equipment	-	-
Revaluation decrement - Buildings	-	-
Revaluation decrement - property, plant and equipment	-	-
Impairment on intangible assets	-	-
Total write-down and impairment of assets	7,000	-

Note 1E: Losses on Disposal of Assets

Dispose of property, plant and equipment	979	-
Total losses on disposal of assets	979	-

Financial Performance

This section analyses the financial performance of PSR for the year ended 2018

Note 2: Income

	2018	2017
Own-Source Revenue	\$	\$

Note 2A: Rendering of Services

Settlement from litigations	-	65,000
Total rendering of services	-	65,000

Accounting Policy

Revenue

Revenue from the sale of goods is recognised when:

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

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

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

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

Note 2B: Other Revenue

Resources received free of charge	32,500	31,500
Total other revenue	32,500	31,500

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.

APPENDIX 2: FINANCIAL STATEMENTS

Financial Performance

This section analyses the financial performance of PSR for the year ended 2018

Note 2: Income

	2018	2017
	\$	\$
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>		
Insurance refunds received and other	20,858	-
Total other gains	20,858	-
Revenue from Government		
<u>Note 2E: Revenue from Government</u>		
Appropriations		
Departmental appropriations	5,518,000	5,131,000
Total revenue from Government	5,518,000	5,131,000

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (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

	2018	2017
	\$	\$
Note 3A: Cash and Cash Equivalents		
Cash on hand or on deposit	<u>79,764</u>	<u>100,512</u>
Total cash and cash equivalents	<u>79,764</u>	<u>100,512</u>

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

Settlement from litigations and leave transfers	27,943	77,572
Other	<u>340</u>	<u>-</u>
Total goods and services receivables	<u>28,283</u>	<u>77,572</u>

Appropriations receivable

Existing programs	1,911,286	1,861,116
Departmental capital budget	<u>282,316</u>	<u>238,557</u>
Total appropriations receivable	<u>2,193,602</u>	<u>2,099,673</u>

Other receivables

GST receivable from the Australian Taxation Office	<u>28,005</u>	<u>36,111</u>
Total other receivables	<u>28,005</u>	<u>36,111</u>
Total trade and other receivables (gross)	<u>2,249,890</u>	<u>2,213,356</u>

Less impairment allowance

Goods and services	<u>(7,000)</u>	<u>-</u>
Total impairment allowance	<u>(7,000)</u>	<u>-</u>
Total trade and other receivables (net)	<u>2,242,890</u>	<u>2,213,356</u>

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 2018. 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 2018

	Leasehold improvements	Plant & equipment	Computer software	Total
	\$	\$	\$	\$
As at 1 July 2017				
Gross book value	287,100	96,120	744,488	1,127,708
Accumulated depreciation, amortisation and impairment	-	-	(413,366)	(413,366)
Net book value as at 1 July 2017	287,100	96,120	331,122	714,342
Additions				
Purchase or internally developed	226,790	315,140	90,510	632,440
Revaluations and impairments recognised in other comprehensive income	44,305	-	-	44,305
Revaluations recognised in net cost of services	-	-	-	-
Reversal of revaluation previously recognised in other comprehensive income	-	-	-	-
Impairments recognised in net cost of services	-	-	-	-
Reversal of impairments recognised in net cost of services	-	-	-	-
Depreciation and amortisation	(64,644)	(65,638)	(53,151)	(183,433)
Disposals	-	-	-	-
Other	-	(979)	-	(979)
Net book value as at 30 June 2018	493,551	344,643	368,481	1,206,675
Net book value as at 30 June 2018 represented by				
Gross book value	493,551	409,560	707,386	1,610,497
Accumulated depreciation and impairment	-	(64,917)	(338,905)	(403,822)
Net book value as at 30 June 2018	493,551	344,643	368,481	1,206,675

The carrying amount for buildings of \$493,551 (2017: \$287,100) and plant and equipment of \$344,643 (2017: \$96,120) were included in the valuation figures above. No indicators of impairment were found for property, plant and equipment.

During the year, PSR commenced work on upgrading its ICT servers as they are due to reach the end of their useful lives (5 years). Implementation will be completed within the next 12 months. No other property, plant and equipment, or intangible assets 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. At 30 June 2018, an independent valuer, B&A Valuers, conducted a full valuation of PSR's leasehold improvements and a desktop valuation of property, plant & equipment.

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

Capital commitments of \$147,096 (2016-17: \$0) are payable within 12 months, which includes completion of the ICT server upgrade, a desktop refresh, and further enhancements to the case management system.

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:

	2018	2017
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 2018. 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 2018.

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 (2017: 4 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

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

	2018	2017
	\$	\$
Note 4B: Other Non-Financial Assets		
Prepayments	44,898	60,700
Total other non-financial assets	<u>44,898</u>	<u>60,700</u>

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

APPENDIX 2: FINANCIAL STATEMENTS

Financial Position

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

Note 5: Payables

	2018	2017
	\$	\$
Note 5A: Suppliers		
Trade creditors and accruals	308,998	286,674
Operating lease rentals	8,728	1,184
Total suppliers	317,726	287,858

Settlement is made within 30 days.

Note 5B: Other Payables

Wages and salaries	51,769	40,665
Superannuation	2,506	2,369
Lease incentive	81,667	-
Total other payables	135,942	43,034

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

	2018	2017
	\$	\$
Note 6: Provision for restoration obligations		
Make good obligation	<u>95,400</u>	88,800
Total provision for restoration obligations	<u>95,400</u>	<u>88,800</u>

	Provision for restoration
	\$
Carrying amount 1 July 2017	88,800
Additional provisions made	4,824
Amounts used	-
Amounts reversed	-
Finance cost - unwinding discount	1,776
Closing balance 2018	95,400

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 2018

	Annual Appropriation ¹	Adjustment to appropriation ²	Total appropriation	Appropriation applied in 2018 (current and prior years)	Variance ³
	\$	\$	\$	\$	\$
DEPARTMENTAL					
Ordinary annual services	5,518,000	99,309	5,617,309	(5,567,139)	50,170
Capital Budget ⁴	649,000	-	649,000	(509,863)	139,137
Total departmental	6,167,000	99,309	6,266,309	(6,077,002)	189,307

Notes:

1. In 2017-18, PSR received \$476,000 under Appropriation Bill (No. 5) 2017-18.
2. Adjustment includes PGPA Act section 74 receipts.
3. Departmental appropriations were underspent by \$139,137. During the year, PSR's lessor contributed \$100K as a lease incentive towards the office fitout.
4. 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.

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.

APPENDIX 2: FINANCIAL STATEMENTS

Funding

This section identifies PSR's funding structure

Note 7: Appropriations

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

	2018	2017
Authority	\$	\$
DEPARTMENTAL		
Appropriation Act (No. 1) 2017-18	1,709,977	-
Appropriation Act (No. 5) 2017-18	476,000	-
Appropriation Act (No. 1) 2016-17	-	1,949,068
Supply Act (No. 1) 2016-17	-	60,000
Appropriation Act (No. 1) 2015-16	-	179
Appropriation Act (No. 1) 2013-14 ¹	-	95,378
Cash balance	79,764	100,512
Total	2,265,741	2,205,137

The cash balance of \$79,764 represents unspent departmental appropriation from Appropriation Act (No.1) and (No.5) 2017-18; (2017: \$100,512 from Appropriation Act (No.1) 2016-17). Unspent departmental appropriation also includes a departmental capital budget of \$282,316 (2017: \$143,000).

¹ Appropriation Act (No.4) 2017-18 repealed unspent Appropriation Acts from 1 July 2013 to 30 June 2014.

Funding

This section identifies PSR's funding structure

Note 8: Cash Flow Reconciliation

	2018	2017
	\$	\$
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	79,764	100,512
Statement of financial position	<u>79,764</u>	<u>100,512</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from/ (used by) operating activities:		
Net cost of services	(5,756,359)	(5,257,120)
Add revenue from Government	5,518,000	5,131,000
Adjustments for non-cash items		
Depreciation / amortisation	183,433	168,743
Net write down of non-financial assets	7,000	-
Loss on disposal of assets	979	-
Finance costs	1,776	2,653
Changes in assets / liabilities		
(Increase) / decrease in net receivables	7,225	205,002
(Increase) / decrease in prepayments	15,802	(22,912)
Increase / (decrease) in employee provisions	1,197	(97,247)
Increase / (decrease) in supplier payables	29,868	(64,038)
Increase / (decrease) in other payables	<u>92,908</u>	<u>(47,226)</u>
Net cash from/ (used by) operating activities	<u>101,829</u>	<u>18,855</u>

APPENDIX 2: FINANCIAL STATEMENTS

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

	2018	2017
	\$	\$
Note 9: Employee Provisions		
Leave	<u>555,030</u>	553,833
Total employee provisions	<u>555,030</u>	<u>553,833</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 2018. 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.

APPENDIX 2: FINANCIAL STATEMENTS

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, Special Counsel, and the Chief Finance Officer. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$	\$
Short-term employee benefits	887,603	881,546
Post-employment benefits	116,959	134,535
Other long-term employee benefits	92,540	83,327
Total key management personnel remuneration expenses¹	1,097,102	1,099,408

The total number of key management personnel included in the above table represents 5 individuals (2017: 9 individuals). During the reporting period, 2 of the 5 individuals were on acting arrangements. One key management personnel left the agency, and one 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.

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 this note.

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 (2017: nil).

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 (2017: nil).

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 2018, PSR did not have any quantifiable contingencies (2017: 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 (2017: nil).

Significant Remote Contingencies

At 30 June 2018 PSR did not have any significant remote contingencies (2017: 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

	2018	2017
	\$	\$
Note 13: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	79,764	100,512
Trade and other receivables	<u>21,283</u>	<u>77,572</u>
Total loans and receivables	<u>101,047</u>	<u>178,084</u>
Total financial assets	<u>101,047</u>	<u>178,084</u>
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - Suppliers	<u>317,726</u>	<u>287,858</u>
Total financial liabilities	<u>317,726</u>	<u>287,858</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 2018.

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	
	2018	2017
	\$	\$
Non-financial assets		
Leasehold improvements	493,551	287,100
Other property, plant and equipment	344,643	96,120
Total non-financial assets	838,194	383,220
Total fair value measurements of assets in the statement of financial position	838,194	383,220

1. No change in valuation technique occurred during the period

2. Recurring level 3 fair value measurements reconciliation - valuation process

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 2018, 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
Ms	Katerina	Angelopoulos	22-May-18	29-May-20	Determining Authority
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	Richard	Barry	19-Oct-17	29-May-22	Panel
A/Prof	Kevin	Bell	5-Oct-17	29-May-22	Panel
Dr	Kerrie	Bradbury	30-May-17	29-May-22	Panel
Dr	Kathryn	Brotchie	26-Mar-18	29-May-22	Panel
Dr	Warwick	Carter	30-May-17	31-Dec-18	Panel

APPENDIX 4: STATUTORY APPOINTMENTS

Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
Dr	Peter	Cheung	30-May-17	29-May-22	Panel
Dr	Eleanor	Chew	26-Mar-18	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	Debra	Coleman	19-Oct-17	29-May-22	Panel
Prof	Alan	Cooper	30-May-17	29-May-22	Panel—Deputy Director
Dr	Marcela	Cox	30-May-17	29-May-22	Panel—Deputy Director
Ms	Dianne	Crellin	15-Nov-17	29-May-22	Panel
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	Antonio	Di Dio	22-May-18	29-May-20	Determining Authority
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
Dr	Karen	Flegg	22-May-18	29-May-20	Determining Authority Chair
Dr	Howard	Galloway	5-Oct-17	29-May-22	Panel
Dr	Stuart	Game	30-May-17	29-May-22	Panel
Prof	Gerard Francis	Gill	30-May-17	29-May-22	Panel
A/Prof	John	Grigg	19-Oct-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

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Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
A/Prof	Hadia	Haikal-Mukhtar	30-May-17	31-Dec-18	Panel—Deputy Director
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
A/Prof	Aniello	Iannuzzi	22-May-18	29-May-20	Determining Authority
A/Prof	Rajeev	Jyoti	5-Oct-17	29-May-22	Panel
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
Mr	John	Kilmartin	17-May-18	29-May-20	Determining Authority
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	Gavin	Mackie	5-Oct-17	29-May-22	Panel
Dr	Peter	Maguire	15-Aug-17	22-May-22	Panel
Dr	Suzanne	Miau	26-Mar-18	29-May-22	Panel

APPENDIX 4: STATUTORY APPOINTMENTS

Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
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	Rakesh	Mohindra	30-May-17	29-May-22	Panel
Ms	Suzanne	Morey	15-Nov-17	29-May-22	Panel—Deputy Director
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	22-May-18	29-May-20	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
A/Prof	Neil	Peppitt	30-May-17	29-May-20	Determining Authority
A/Prof	Christopher	Perry	19-Oct-17	29-May-22	Panel
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

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Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
Dr	David	Smith	28-Jun-18	29-May-20	Determining Authority
Dr	Thomas	Snow	5-Oct-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
Prof	Stephen	Stuckey	5-Oct-17	29-May-22	Panel
Prof	Kenneth	Thomson	5-Oct-17	29-May-22	Panel
Dr	Neil	Vallance	19-Oct-17	29-May-22	Panel
Dr	Nedra	Vanden Driesen	19-Oct-17	29-May-22	Panel
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
Ms	Cheryl	White	15-Nov-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
A/Prof	Brendon	Yee	19-Oct-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

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Part of Report	Description	Requirement	Page Number
<i>Overview of the entity</i>			
	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
<i>Report on the Performance of the entity</i>			
<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

LIST OF REQUIREMENTS

Part of Report	Description	Requirement	Page Number
<i>Management and Accountability</i>			
<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 Auditor General (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

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Part of Report	Description	Requirement	Page Number
<i>Management of Human Resources</i>			
	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 non ongoing basis; including the following:</p> <ul style="list-style-type: none"> • Statistics on staffing classification level • Statistics on full time employees • Statistics on part time 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 non SES 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 non-salary benefits provided to employees.	Mandatory	26
	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	26
	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
<i>Assets Management</i>			
	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, Mandatory	29

LIST OF REQUIREMENTS

Part of Report	Description	Requirement	Page Number
<i>Purchasing</i>			
	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	29
<i>Consultants</i>			
	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
<i>Australian National Audit Office Access Clauses</i>			
	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 Auditor General 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
<i>Exempt contracts</i>			
	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

PROFESSIONAL SERVICES REVIEW ANNUAL REPORT 2017–18

Part of Report	Description	Requirement	Page Number
<i>Small business</i>			
	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
<i>Financial Statements</i>			
	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	33–70
Other Mandatory Information			
	If the entity conducted advertising campaigns, a statement that “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.”	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 “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	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



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