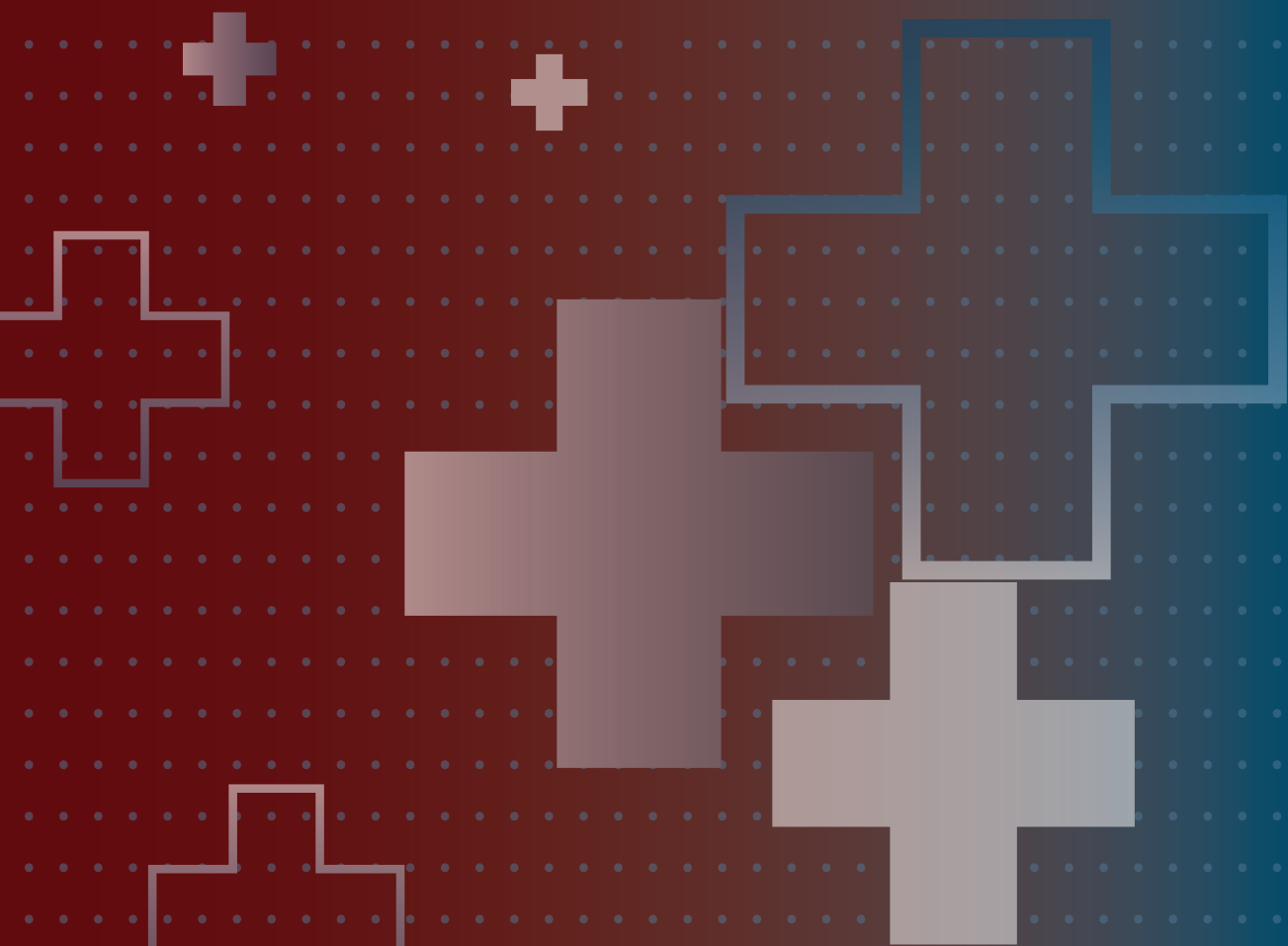




Australian Government
Professional Services Review

Professional Services Review

Annual Report 2018–19



Professional Services Review

Annual Report
2018–19

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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 2019.

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.

Yours sincerely



Professor Julie Quinlivan
Director of Professional Services Review

30 September 2019

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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 purpose of the scheme as protecting 'patients and the community in general from the risks associated with inappropriate practice' and protecting 'the Commonwealth from having to meet the cost of services provided as a result of inappropriate practice'.

PSR achieves its purpose 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 multidisciplinary group of 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 2018–19

Increased recoveries

The highlight of the 2018–19 year was a further increase in recoveries ordered. In 2018–19, PSR ordered recoveries of \$29,196,203 against a historical annual average of \$5,000,000. The increase in recoveries since 2015 has occurred as a result of an increase in workload in terms of both numbers of referrals and reviewed items per referral. It has also arisen as a result of specialist reviews, from whom higher recoveries are typically ordered.

Table 1 summarises recoveries ordered in recent years from s. 92 agreements made between the Director of PSR and practitioners under review and through Determinations following PSR Committees.

Table 1: Treasury appropriation and PSR recoveries ordered

Year	Treasury Appropriation \$	Ordered recoveries following PSR Committees \$	Ordered recoveries from Director s. 92 agreements \$	Total ordered recoveries \$
2018–19	6,946,000	2,784,522	26,411,681	29,196,203
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

Increased workload and appropriation

PSR staff numbers and budget have been static for several years despite a significant increase in workload. This was recognised by the government and an increase in appropriation was made.

Increased focus on patient safety and fraud

PSR continued to focus on patient safety. Overall, six practitioners were referred to a regulatory body for possible patient safety concerns and nine were referred for concerns over major non-compliance with professional standards.

Corporate and employer referrals

PSR progressed a Director's stage review in relation to a corporation and the matter is ongoing. Corporate or employer referrals are complex as there are additional requirements to be met that are not present in review of an individual practitioner.



Engagement with stakeholders and the professions

In 2018–19 PSR developed and implemented an engagement framework. I spoke at several medical, compliance and medical indemnity conferences. Regular stakeholder meetings were held with Department of Health compliance staff, the Australian Medical Association (AMA), private hospitals, insurance groups and medical colleges. The policy on naming practitioners was reviewed and stakeholders were invited to make submissions. The PSR website was updated. A regular quarterly newsletter was published. The PSR Advisory Committee (PSRAC) remains an important means of consultation which draws its membership from the Department of Health, the AMA and PSR. This group met during the year to discuss issues.

Work also commenced to outline PSR Committee findings on commonly reviewed item numbers. A former senior legal advisor of PSR was contracted to summarise the reasons for findings of inappropriate practice made by PSR Committees in recent years. These summaries will be serially uploaded onto the PSR website over the next two years and will be a resource for the professions.

Antibiotics and schedule 4 and 8 medications

PSR has reviewed a number of practitioners in relation to their use of second and third tier antibiotics without evidence of actual or suspected resistance to narrower or lower tier antibiotics. The rate of resistance to antibiotics in Australia continues to increase without the advent of major new classes of antibiotics likely to enter the marketplace. The PSR plays an important role in regulating appropriate antibiotic prescribing by clinicians.


The PSR also reviewed a number of practitioners over prescribing of schedule 4 and 8 medications. Committees have found prescribing to be inappropriate when practitioners fail to document adequate clinical input into decision making and fail to consider alternative non-pharmacological management strategies and fail to develop an overall plan to manage prescribing in vulnerable patients.

Recruitment of PSR Panel Members

As a result of referrals in new clinical areas, additional members were recruited to the PSR Panel. A survey was performed to assess the gender and diversity of PSR Panel members. The results indicated the Panel is now more diverse with 43% female membership, 27% born overseas and 73% born in Australia, 65% having experience working in rural areas and 68% having experience working in outer metropolitan regions.

External PSR and Public Sector Reviews

To ensure streamlining of PSR processes as agency workload increased, we commissioned an external review by Ernst and Young. The comprehensive review involved 360 degree consultations, including surveys of legal representatives of practitioners under review. The final



report documented positive agency culture, leadership, procedures and efficiency. No major changes were recommended. However, a number of process matters were identified to further streamline corporate and case management pathways. The Management Committee elected to implement all recommendations. The implementation plan is 80% complete and will be fully operationalised by December 2019.

PSR also considered all the recommendations arising from the Public Service Review. The Management Committee agreed to implement relevant recommendations. Each month progress on implementation was reviewed. The Agency completed the implementation program in June 2019.

In mid-2019, the Australian Public Service Commission released the Australian Public Service Employee Census 2019 which was open for participation from 6 May to 7 June. Below is a snapshot of how PSR performed in comparison with the 97 surveyed entities:

On the topic of workplace culture, 'I receive the respect I deserve from my colleagues at work' was asked. PSR's response was 100% positive which was 24% higher than the result from the APS overall and 18% higher than the result from other micro sized agencies.

On the topic of workplace conditions, 'I am satisfied with the stability and security of my current job' was asked. PSR's response was 100% positive which was 27% higher than the result from the APS overall and 18% higher than the result from other micro sized agencies.

On the topic of risk management, 'When things go wrong, my agency uses this as an opportunity to learn' was asked. PSR's response was 100% positive which was 54% higher than the result from the APS overall and 31% higher than the result from other micro sized agencies.

PSR ranked 5th out of the 97 entities for engagement, 12th out of 97 for innovation and 13th out of 97 for wellbeing.

Administrative issues within PSR

Another key outcome in 2018–19 was a continued commitment to employee health and welfare. No new worker's compensation claims were lodged for the second successive year and all outstanding Comcare cases were closed. As a result of these actions, Comcare premiums fell to a historic low. To encourage ongoing employee health and welfare, management provided funding to all employees for health and welfare activities as a special initiative, and also conducted mental health training and WH&S workshops.

Other important administrative issues resolved in the year were:

- + appointment of a Chief Security Officer
- + staff training on privacy issues
- + upgrading of information technology and security in the office
- + moved Committees onto GovTEAMS for additional security
- + modified DA funding arrangements to more appropriately reflect the increased workload
- + won a Federal Court challenge
- + responded to one new and two ongoing 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.

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

Professor Julie Quinlivan
Director of Professional Services Review



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 2018–19, 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 2018–19, PSR engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme. Over the twelve month period, PSR met with its stakeholders on 40 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 (and other) 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 2018–19 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 a Committee of the practitioner's peers.

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

Protecting against inappropriate health care practice

During the 2018–19 reporting period, PSR continued to:

- + investigate health care professionals
- + refer matters to Committees
- + progress PSR Committee hearings
- + determine sanctions for finalised Committee matters 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 2018–19, 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
- + Royal College of Pathologists of Australasia
- + Royal Australian & New Zealand College of Radiologists
- + Australian Medical Association
- + Skin Cancer College Australasia
- + Australasian Sleep Association

Professional Services Review Agency performance

The following sets out PSR's performance criteria and provides details of its results for activities undertaken during 2018–19. This included work on the 125 cases already on hand at the commencement of the reporting period, and the 101 cases that were received during 2018–19.

A total of 101 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 101 requests in 2018–19. This figure is almost double the long term historical annual average caseload for the agency.

In 2018–19, PSR completed 101 cases. Of these, two were the subject of a decision by the PSR Director to take no further action, 90 were resolved by negotiated agreements that were subsequently ratified by the Determining Authority (thereby becoming effective), and eight resulted in final determinations by the Determining Authority that became effective during the reporting period. One case was closed as a proper Final Determination was not possible.

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 2018–19 with those of the previous reporting period.

Table 2: PSR’s case statistics, 2018–19 and 2017–18

Action	2018–19	2017–18
Requests received from Department of Health	101	109
Requests by Department of Health to review a practitioner with a previous effective determination for a second or subsequent time	3	10
No further action	2	1
Requests withdrawn or lapsed	0	0
Referrals from the PSR Director to new PSR Committees	19	19
Committees in progress (at 30 June)	31	23
Committee reports finalised	12	12
Reports finding inappropriate practice	12	12
Reports finding no inappropriate practice	0	0
Committee matters indefinitely suspended	0	3
Referrals to medical boards or AHPRA	15 ^a	14
Referrals to Chief Executive Medicare for suspected fraud	2	1
Negotiated agreements ratified and effective	90	49
Final determinations made	9	14
Final determinations effective	8	17
Cases on hand at 30 June ^b	125	125

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

a 15 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 two of the 101 cases completed in 2018–19.

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 2018–19, 90 negotiated agreements became effective. Outcomes of these negotiated agreements included:

- + repayment orders totalling \$26,411,681
- + partial disqualification in 62 cases and full disqualification in one case.

The practitioners concerned included general practitioners, other medical practitioners, midwives and specialists. Repayments ordered ranged from \$10,000 to \$995,286, with more than two-thirds 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 practitioners who are members of the PSR Panel (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 5% practise in outer regional areas. Women comprise 43% of the PSR Panel.

During 2018–19, the Director established 19 PSR Committees. Of the 19 practitioners referred to a PSR Committee, eight were general practitioners, two were specialists, six were other medical practitioners and the remaining three were a midwife, chiropractor and a dentist.

At the end of the reporting period, all of the PSR Committees established in 2018–19 were still in progress. Committee hearings were held for 21 cases during the 2018–19 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

During 2018–19, eight final determinations became effective. The directions made by the Determining Authority were:

- + reprimand in all cases and counselling in seven cases
- + partial disqualification from Medicare benefits in five cases, for between 6 and 36 months
- + repayment of Medicare benefits, ranging from \$1,297.20 to \$649,664.90 (totalling \$2,784,521.71).

Re-referrals

In 2018–19 the Chief Executive Medicare made three 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 2019, two of these cases were still under review and one had resulted in a negotiated agreement.

Referrals to medical boards and other authorities

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

In 2018–19, the Director made 15 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. Further detail relating to matters under judicial review can be found in the 'Legal issues' section of the Performance Statement.

One matter that had commenced in a previous year was determined in favour of PSR. Another matter that had commenced in 2017–18 was resolved by consent. A further matter that had commenced in the previous year had an interlocutory hearing and interlocutory judgment but had not had a substantive hearing during 2018–19. One further matter was commenced in the Federal Court in 2018–19 but was not heard during the year.

Performance against Portfolio Budget Statements 2018–19

Performance criteria

Table 3 outlines the quantitative key performance indicators specified for PSR in the Portfolio Budget Statements 2018–19:

Table 3: Protecting against inappropriate health care practice

Quantitative performance criteria	2018–19 Target	2018–19 Actual
Percentage of reviews by the Director of PSR finalised within 12 months	100%	100%
Total number of matters for review finalised ^a	50	101
Percentage of court cases where PSR's application of the law upheld	100%	100%

a This figure includes no further actions under s. 91 of the Act, negotiated agreements under s. 92 of the Act, final determinations resulting from a Committee hearing and cases where it was impossible to come to a final outcome. The figure excludes cases that have lapsed under s. 94 of the Act and cases considered indefinitely in abeyance.

In 2019–20, PSR will maintain 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 any other person 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 2018–19, completing 101 matters.

Qualitative deliverables

The qualitative key performance indicators specified in PSR's Portfolio Budget Statements 2018–19 are shown in Tables 4 and 5.

Table 4: Protecting against inappropriate health care practice

Qualitative performance criteria	2018–19 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 procedural 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 procedural 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	2018–19 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.

As in other years, 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 2018–19, inappropriate practice involved inadequate clinical notes, failure to comply with the particular requirements of the MBS items billed to Medicare, 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 the membership of the PSR Panel and the Determining Authority in 2018–19.

Performance criteria set out in the PSR Corporate Plan include:

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

Throughout 2018–19, 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 Director and the PSR executive team met regularly with the Provider Benefits Integrity 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.

During 2018–19, 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. Most case management staff members are legal officers, to enable a focus and emphasis on procedural fairness and compliance with statutory requirements in the delivery of the scheme.



PSR has sought to improve transparency in 2018–19 by publishing more details of case outcomes on its website and providing more detail of the agency’s activity in a regular newsletter to Panel members and other interested persons.

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 2018–19, Medicare paid subsidies of over \$24.1 billion for 424.2 million medical services for the Australian population of over 25.2 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 specialty or profession of a practitioner under review.

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

- + rendering a statistically abnormal volume of total and daily services
- + initiating a high volume of diagnostic imaging and pathology services
- + unusual prescribing habits or
- + other unusual practices.

Each year Health Department medical officers interview several hundred practitioners to gain further information about their practice as part of the Practitioner Review Program. A small proportion of these practitioners will be referred to the Director of PSR.

Once a matter has been referred to the Director of PSR, the Director decides whether she will commence a formal review. If a decision is made to conduct a formal review, the Director has the power to require referred practitioners to provide clinical records or other documents to facilitate that review.

Practitioners referred to PSR in 2018–19

During 2018–19, the Agency received a higher number of referrals compared to historical averages. The Agency also finalised significantly more matters than in previous years.

There was considerable diversity in referrals. Referrals were received for general practitioners, other medical practitioners, medical specialists (in the fields of rehabilitation medicine, respiratory and sleep medicine, radiology, dermatology, endocrinology, oncology, internal medicine, haematology and psychiatry), nurse practitioners, optometrists and dentists.


Legal issues

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

In 2018–19 PSR successfully defended a Federal Court case that addressed the issue of urgent after hours services and of a prescribed pattern of services (*Nithianantha v Commonwealth* [2018] FCA 2063).

A requirement of MBS item 597 was that the practitioner had to be satisfied that the patient's condition 'requires urgent treatment'. Dr Nithianantha submitted that it was enough if, when he formed the opinion that urgent treatment was required, that opinion would have been acceptable to his peers 'in the circumstances that existed and on the information available when the opinion was formed', even if it turns out that the patient requires treatment for a different, non-urgent condition which is diagnosed during the consultation. The Court rejected that approach, and said that the term 'requires' in this context was not susceptible of meaning 'might require'. The Court said that before the consultation, the practitioner can only form a view, having regard to the circumstances which have been conveyed to him or her by someone who may not be the patient. The best the practitioner can do at that point is form a view of what might be required at that time, not what is required. What is required can only be determined following consultation which can, if necessary, include examination. Since this matter was heard by the Court, the urgent after hours items were changed with the relevant phrase amended to 'requires urgent assessment', nevertheless, this still can be determined only following consultation with the patient and not before it.

In relation to the prescribed pattern of services (the so-called '80/20 rule'), Dr Nithianantha had put the case to the PSR Committee that there was an absence of other medical services for his patients in the remote rural town in which he practised, and that this constituted an exceptional circumstance. The Committee had rejected that case on the basis of oral evidence given by the practice manager of the only other general practice in that town. In court, Dr Nithianantha submitted that the Committee had failed to consider whether the services of the other practice were a readily and reasonably available alternative for Dr Nithianantha's patients; that it could not make that inference from the practice manager's evidence; and that it had failed to consider whether another medical practitioner was available on each of the 28 days on which he claimed exceptional circumstances. The Court rejected each of these submissions. The Court held that the Committee was correct in its view that once the evidence establishes that the practitioner had rendered 80 or more attendance services on 20 or more days in a 12 month period, there is a practical onus on the practitioner to establish that there was an absence of alternative medical



services for the practitioner's patients on any of those days if that is the exception to the 80/20 rule relied on by the practitioner. The Committee was entitled to form the view on the evidence before it that Dr Nithianantha had not established such an absence of alternative services.

PSR also responded to three further legal challenges. In one matter PSR consented to the making of an order by the Federal Court revoking an amended section 93 referral, effectively reinstating the original section 93 referral to a PSR Committee. In another matter, a practitioner has sought to challenge both the Draft and Final Reports of a PSR Committee. In a third matter, an interlocutory judgment was delivered (*Karmakar v Minister for Health* [2019] FCA 868), granting the practitioner a further and final opportunity to amend the originating application to the Court before it would hear an application by the Minister and the Director of PSR for summary judgment in their favour and to have the matter struck out. In granting that further opportunity to Dr Karmakar to amend her application, the judge expressed doubts concerning the basis on which her application had been brought, saying that it 'overwhelmingly required a particular reality check'.

Pharmaceutical referrals

PSR received referrals relating to concerns over the prescribing of several practitioners. Prescribing referrals were in two main areas: Schedule 4 and 8 medications and antibiotics.

Concerns leading to a finding of inappropriate practice in relation to prescribing Schedule 4 and 8 medications were made when practitioners prescribed high volumes of multiple schedule 4 and 8 medications without checking for doctor shopping behaviours, exploring non-drug management options, seeking specialist or multidisciplinary help in management and/or ignoring addictive behaviours such as repeated lost prescriptions or consistently returning for repeat prescription early.

Concerns leading to a finding of inappropriate practice in relation to prescribing antibiotics were made when practitioners repeatedly prescribed second and third tier antibiotics such as amoxicillin and clavulanic acid and intravenous cephalosporins in primary care settings when there was no evidence of resistance to narrower spectrum medications such as penicillin or amoxicillin alone, without clavulanic acid, or there was no clinical indication for an intravenous antibiotic as patients were systemically well with simple conditions such as a urinary tract infection.

MBS Chronic Disease Management items

Chronic Disease Management (CDM) items (721, 723, 732) continued to be another common reason for referral. In the past year concerns identified by PSR leading to a finding of inappropriate practice included:

- + no contemporaneous documentation to support billing the items
- + documentation that was an identical copy of prior billed items without significant change
- + concerns the patient was not present when items were billed

- + concerns the patient did not have an eligible chronic disease or terminal illness
- + no evidence of patient consent
- + concerns the practitioner was not the usual care provider of the patient
- + concerns there was no evidence the patient was evaluated to develop individualised management goals
- + no evidence of two-way communication with teamcare members to address management goals or
- + concerns reviews were not clinically indicated and/or the patient was not present.

Consultation items

Consultation items were another common reason for referral to PSR. Common concerns leading to a finding of inappropriate practice included:

- + no contemporaneous documentation to support billing the item
- + documentation that was an identical copy of prior pasted consultations without substantive change
- + concerns the patient was not present when items were billed
- + after-hours items that were not performed in an after-hours period
- + clinical content that was not sufficiently complex to justify billing consultations requiring 20, 40 or 60 minutes
- + poor medical records that would not enable another practitioner to rely on the record to safely assume patient management
- + concerns over a lack of clinical input due to a poor history, failure to examine key systems, misdiagnosis, excessive use of pathology or imaging without clinical indication and/or prescribing concerns
- + consultation items co-billed with procedural items without evidence of a separate consultation and
- + missing referrals requesting a consultation service in the case of specialists.

Urgent after hours

PSR continued to resolve a number of matters related to urgent after hours consultations. High levels of inappropriate practice were identified in referred practitioners with adverse findings ranging from 30% to 100% with a mean of 70%. The main reason for findings of inappropriate practice related to a determination that the consultation did not relate to an urgent matter, the standard of clinical input fell below that expected of the general body of practitioners and concerns over prescribing. Urgent items were billed for patients with upper respiratory tract infections, viral gastroenteritis, medication reviews and chronic health conditions.



Sleep studies

PSR reviewed a small number of practitioners in relation to sleep studies. Concerns identified were that the sleep study was not clinically indicated, was not performed with an appropriate level of supervision, was not performed or scored appropriately and/or was not adequately reported. In regard to the concerns about poor reporting, it was observed that in some cases reports were 'obstructive sleep apnoea' centric and focussed on a need for CPAP, yet failed to mention other clinically important abnormalities apparent from patients data including the presence of chronic hypoxaemia and significant abnormalities of the cardiac ECG, brain EEG or limb movements.

In response to PSR reviews, the Director met with senior representatives of the profession. The response of the profession has been exemplary with considerable engagement by practitioners to address concerns and improve the quality of conduct and reporting of sleep studies. This has also been facilitated by the MBS Review that has added clarity to the item descriptor. The profession is to be commended for rapidly and positively responding to concerns.

The only outstanding area that the profession might like to consider is independence from companies that sell sleep equipment. PSR noted that some referred sleep physicians were employed or contracted by companies that were subsidiaries of larger corporations that sold sleep medicine equipment. In some reviewed cases sleep study reports were printed on the back of letters directing patients to these suppliers. Whilst this observation did not form the basis of any finding of inappropriate practice, the sleep medicine profession might like to reflect upon whether such associations are in the interest of the philosophy of medical independence.

Skin medicine

PSR received a small number of referrals in relation to skin medicine item numbers. Referred practitioners were classified as belonging to the 'Other Medical Practitioner' or 'Specialist General Practitioner' classification rather than 'Specialist Dermatologist' category. Concerns identified were non contemporaneous records, concerns a billed service was not provided, concerns over identical pasted text across multiple entries in the same medical record and/or across multiple different patient records, concerns over consent, concerns over a lack of clinical input, concerns over poor or illegible recordkeeping, concerns over billing for cosmetic procedures and concerns over the use of the Medicare Safety Net.

In response to PSR reviews, the Director spoke at skin medicine conferences. Engagement by the profession was excellent and the concept of documenting consent in medical records and improving the quality of medical records has been embraced. The MBS Review has also added clarity to some item descriptors. The profession is to be commended for rapidly and positively responding to concerns.

Employer or corporate referrals

PSR is now better able to review employers of healthcare practitioners (including corporate healthcare entities) to ensure clinically relevant and appropriate behaviour occurs. PSR progressed a corporate matter in the year under review.

PSR evaluates whether the employer has engaged in inappropriate behaviour by reference to s. 82(2) of the Act which provides for a finding of inappropriate practice against the employer or 'an officer of a body corporate' who 'knowingly, recklessly or negligently' causes or permits a practitioner 'to engage in conduct that constitutes inappropriate practice'.

Random samples of records

PSR relies on securing a random sample of records from which it can extrapolate findings across a full year. In the past the random sample was identified by the Department of Human Services. However, this year this duty was transferred to the Department of Health. Unfortunately the preparation for the transfer disrupted data acquisition, resulting in significant delays. A process that previously took only two weeks took in excess of three months. Given Director's stage reviews have a maximum statutory time frame of only 12 months, the delays resulted in consequential time limitations in other aspects of the Director's reviews and caused disruption to workflow. PSR worked with the Department of Health and this issue has now been resolved.

PSR also sought advice from an Australian expert in statistical sampling to determine the optimal way to sample data to secure a random sample suitable for extrapolation in the case of an employer or corporate Committee where multiple practitioners might provide services. PSR agreed to adopt the advice in the expert report and Committees established to review corporate or employer cases will be able to utilise the recommended sampling methodology.

Summary

In 2018–19, PSR has successfully managed an increasing workload and simultaneously achieved all qualitative key performance indicators.

PSR now tackles a large number of matters across many professional areas. It is making efforts to increase its engagement with stakeholders. This engagement has demonstrated that the Australian healthcare community are committed to maintaining the principles of the Medicare and the Pharmaceutical Benefits Schemes and that the majority of practitioners act appropriately in billing and prescribing.

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.

During 2018–19, there were no significant instances of non-compliance with the finance law.

In 2018–19, 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 2018–19 identifies six goals, as shown in Table 6.

The PSR Corporate Plan is publicly available on the [PSR website](#). During 2018–19, PSR used this Corporate Plan as the basis for its performance reporting framework.

Table 6: Six goals from the Professional Services Review Corporate Plan 2018–19

Key Performance Indicators
1 Number of s92 agreements entered into, exceed the number of cases referred to a committee
2 80% of Committees will finalise their investigations within 18 months of commencing investigation
3 The Director has made a decision under section 91, section 92 or section 93 within 12 months in all cases
4 The Determining Authority makes a decision on 100% of s92 agreements
5 In 80% of cases, the Determining Authority issues its final determination within 6 months of receiving a final report
6 PSR will consult with the relevant professional bodies on behalf of the Minister in respect of every appointment

PSR = Professional Services Review

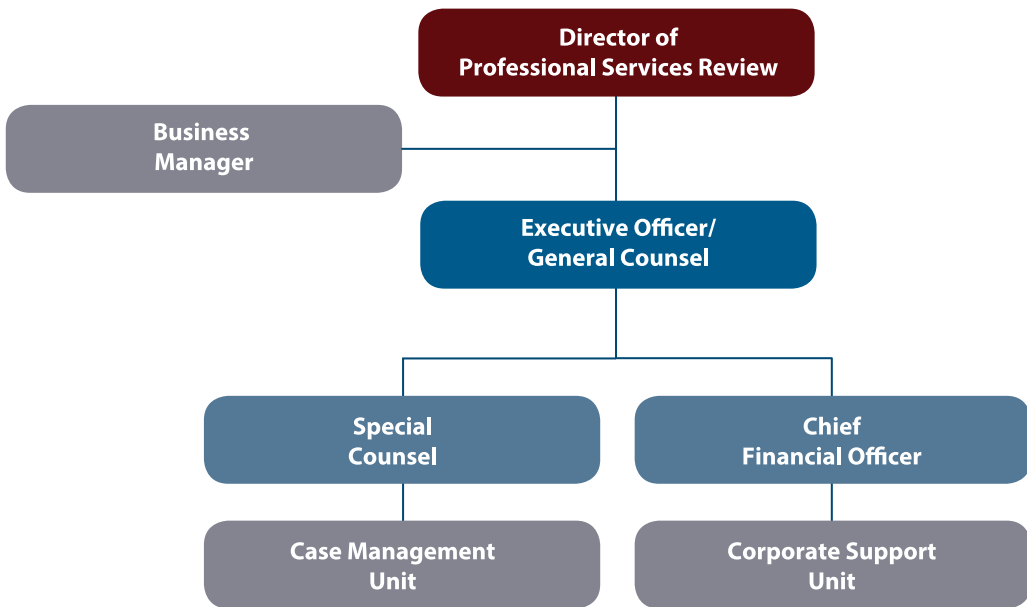
The agency's current structure (Figure 1) was refined in 2018–19. This structure provides for:

- + a Case Management Unit, (managed by the Special Counsel), to deal 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 who also fulfils the role of General Counsel.

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 at the end of 2018–19 has two Legal 2 Principal Legal Officers, two Legal 1 Senior Legal Officers and four APS 6 legal/paralegal positions.

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

Figure 1: Professional Services Review organisational chart, 2018–19



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 twice-monthly meetings, 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), physical and IT security, 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 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 and Risk 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 2018–19 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 and Risk Committee.

Although risk management and internal controls are overseen by the Audit and Risk 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

A fraud control workshop was held which involved all staff. The workshop provided an opportunity to raise awareness amongst staff and assisted in the review of the 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 and Risk Committee meetings.

During 2018–19, there were no reported incidents of fraud.

External scrutiny

During 2018–19, a complaint was lodged with the Australian Human Rights Commission (AHRC) concerning the fact that PSR sought to have females appointed to the PSR Panel in preference to males. The AHRC discontinued its investigation into the complaint following its acceptance that this was a special measure for the purpose of achieving substantive equality between men and women in the Panel's membership, consistent with section 7D of the *Sex Discrimination Act 1984*.

Audit and Risk Committee

The PSR Audit and Risk 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 and Risk Committee consists of an independent chair, an independent member, and the agency's Executive Officer. In 2018–19, 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 2018–19, the Audit and Risk 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 reviews of the agency's case management activities, key controls, business continuity planning and a post-implementation review of the upgraded case management system.

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. 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 2018–19 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 2019, PSR employed 23 APS staff members. Although PSR is a small agency, it has a number of specialist Legal 2 positions because of its role as a regulatory agency. These positions are filled by senior lawyers with extensive administrative law experience. They have specific responsibility for managing PSR cases, and providing legal advice to the Director and PSR Committees.

Tables 7 and 8 provide details of staff numbers.

Table 7: PSR Australian Public Service staff at 30 June 2019

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	3	3	0	2	1	3
APS 6	3	4	7	0	5	2	7
APS 5	1	4	4	1	2	3	5
APS 4	1	2	3	0	3	0	3
Total	7	16	22	1	17	6	23

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

Table 8: PSR FTE at 30 June

Staff	30 June 2019	30 June 2018
Full Time Equivalent (FTE)	21.24	19.03

All staff employed by PSR at 30 June 2019 were based in the ACT. There were nine employees who did not speak English as their first language and 39% had parents who did not speak English as their first language. PSR had no employees who identified as Aboriginal or Torres Strait Islander, and one employee with an identified disability.

During 2018–19, PSR recruited five ongoing employees. Two ongoing employees left PSR through resignation.

Enterprise agreement and Australian Workplace Agreements

At 30 June 2019, the pay and conditions of all APS employees, including those at the Executive Level, were governed by the PSR Enterprise Agreement 2016–19.

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

Table 9: Current PSR salary ranges

Classification	Minimum (\$)	Maximum (\$)
APS 3	58,691	64,913
APS 4	66,364	71,246
APS 5	72,209	76,374
APS 6	79,988	93,966
Legal APS 6	81,776	90,235
EL 1	101,068	112,850
Legal EL 1	104,866	124,356
EL 2	113,221	140,016
Legal EL 2	136,001	146,921

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 2018–19, 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 2018–19, PSR awarded performance pay to Executive level employees who satisfied certain performance conditions specified by individual flexibility agreements.

Table 10 provides details of employees by classification, who received performance pay relating to the PDS cycle ending 30 June 2019. The total amount paid was \$36,317.

Table 10: Performance pay to PSR employees

Classification	Employees	Total Paid (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES Band 1/ Legal/EL 2	3	36,317	12,106	10,804	13,743

Key Management Personnel

During the reporting period ending 30 June 2019, PSR had five executives who met the definition of key management personnel (KMP). 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 those occupying the roles of Director, Executive Officer, Special Counsel, and the Chief Financial Officer. Their names and the length of term as KMP are summarised below:

Name	Position title	Term as KMP
Professor Julie Quinlivan	Director PSR (Accountable Authority)	Full year
Dr David Rankin ¹	Acting Director PSR	Part year—appointed on 9.7.2018 and ceased on 20.7.2018
Bruce Topperwien	Executive Officer and General Counsel	Full year
Andrew Shelley	Special Counsel	Full year
Linnet Lee	Chief Financial Officer	Full year

¹ The Acting Director was appointed during the period the Director was on leave.

In the notes to the financial statements for the period ending 30 June 2019, PSR disclosed the following KMP expenses:

Note 10: Key management personnel remuneration for the reporting period	2019
Short-term benefits	\$
Salary	828,999
Performance bonuses	36,317
Other ²	42,926
Total short-term employee benefits	908,242
Post-employment benefits:	
Superannuation	121,274
Total post-employment benefits	121,274
Other long-term benefits:	
Annual leave	74,479
Long-service leave	31,400
Total other long-term benefits	105,879
Termination benefits	-
Total	1,135,395

² Includes Executive vehicle allowance, car parking and mobile allowance.

Note 10 above has been further disaggregated into the following detail:

Table 11: KMP Remuneration

Name	Position title	Short-term benefits			Post-employment benefits		Other long-term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long-term benefits			
Professor Julie Quinlivan	Director PSR (Accountable Authority) ⁴	328,232	-	4,643	34,049	8,177	28,899	-	404,000	
Dr David Rankin	Acting Director PSR ^{3,4}	8,392	-	-	1,964	-	-	-	10,357	
Bruce Topperwien	Executive Officer and General Counsel ⁵	190,315	13,743	29,607	35,986	8,671	17,725	-	296,048	
Andrew Shelley	Special Counsel ⁶	157,623	11,770	4,338	25,738	5,098	13,913	-	218,480	
Linnet Lee	Chief Financial Officer ⁶	144,436	10,804	4,338	23,536	9,454	13,942	-	206,510	
Total		828,999	36,317	42,926	121,274	31,400	74,479	-	1,135,395	

3 The Acting Director was appointed for part of the year during the period the Director was on leave.

4 Remunerated under the Remuneration Tribunal Determination for Full-Time Office Holders.

5 Remunerated under a section 24 agreement under the *Public Service Act 1999*.

6 Remunerated under Individual Flexibility Arrangements (IFAs), which includes car parking, performance bonuses linked to annual performance ratings, and pay rises in line with the agency's current Enterprise Agreement. IFAs are determined by the Director (accountable authority).

Senior Executive Remuneration

PSR's Senior Executive Service (SES) employee is remunerated under an individual agreement in accordance with section 24 of the *Public Service Act 1999* (PS Act). The Director of PSR has authority to approve section 24 agreements, which are consistent with the Department of Health's SES Performance and Remuneration Framework and practices for SES employees.

During the reporting period ended 30 June 2019, PSR had one SES employee who was also a KMP, and holds the position title of Executive Officer and General Counsel. Details of PSR's SES remuneration are included above in table 10.

Other Highly Paid Staff

During the reporting period ended 30 June 2019, PSR did not have any employees who met the threshold for other highly paid staff, where an individual's total remuneration was \$220,000 or more, and who was not a KMP or SES employee.

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. PSR Panel and Determining Authority members are holders of part-time public office. The Remuneration Tribunal also sets their remuneration and allowances 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 12 shows PSR Panel membership by practice location and gender.

Table 12: PSR Panel members at 30 June 2019

Location	Male	Female	Total
Australian Capital Territory	6	3	9
New South Wales	21	18	39
Northern Territory	0	1	1
Queensland	10	4	14
South Australia	4	7	11
Tasmania	2	2	4
Victoria	18	9	27
Western Australia	4	5	9
Total	65	49	114

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 2018–19, 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 2018–19, 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 made modifications to 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.

While all of that work was successfully completed by 30 June 2018, a further minor refit was required in 2018–19 to accommodate a small increase in staff and consultants to manage the agency's significantly increased workload. PSR is maximising the efficient use of its premises to good effect.

4. Financial performance

PSR's departmental appropriation for 2018–19 was \$7,008,000, which includes \$62,000 for a departmental capital budget.

The agency's 2018–19 departmental expenses were \$7,315,316 (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 2018–19, 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 or
- + 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. A consultant provides professional advice on subject matter in which they have expertise.

During 2018–19, PSR engaged 14 consultants under s. 90 of the *Health Insurance Act 1973*, with a total value of \$355,976 (inclusive of GST), to assist with the performance of the functions, duties and powers of the Director. Four out of the 14 consultancy contracts were ongoing contracts (totalling \$271,707 GST inclusive), for services provided by Dr D Brand, Dr A Di Dio, Dr R Sharma and Dr K Flegg. PSR uses peer review to assist in Director stage reviews and some clinicians are engaged under a consultancy for this purpose. The remaining 10 consultancies represent new contracts entered into during the financial year (totalling \$84,269 GST inclusive).

In addition, PSR incurred further expenditure of \$245,032 (inclusive of GST) in relation to three ongoing contracts, and one new contract for the provision of legal services from Clayton Utz, Sparke Helmore, Maddocks, and the Australian Government Solicitor.

PSR spent a cumulative amount of \$172,348 (inclusive of GST) on three consultancies during 2018–19 to provide professional, independent and expert advice to PSR. Two out of the three were new contracts (totalling \$158,790 GST inclusive), which included an agency functional review by Ernst and Young, in the amount of \$150,000 (GST inclusive).

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 2018–19, 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 2018–19, 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 2018–19, PSR undertook two advertising campaigns with Universal McCann for the recruitment of specialists to PSR's panel. Total payments to Universal McCann were \$6,854 (GST inclusive).

Grants programs

PSR does not administer any grants programs.

Ecologically sustainable development and environmental performance

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

PSR's small size and specific role limit its opportunities to contribute to ecologically sustainable development. However, PSR endeavours to reduce its energy costs by installing energy efficient light bulbs and using sensor light technology. PSR also encourages ecologically sustainable practices, such as paper, plastic and aluminium recycling and has implemented systems and processes to encourage greater reliance on electronic records in preference to paper.

Publications

PSR produced two publications in 2018–19:

- + Annual report 2017–18
- + Your Guide to the PSR Process.

Appendix 1

Professional Services Review's resource statement and outcome summary 2018–19

Table 13: Resource statement, 2018–19

Resource		Actual available appropriations for 2018–19 (\$'000) ^(a)	Payments made in 2018–19 (\$'000) ^(b)	Balance remaining (\$'000) ^(a-b)
Ordinary Annual Services ^a	Departmental appropriation ^b	6,432	7,323	-891
Other services	Departmental non-operating	–	–	–
	Equity injections	–	–	–
	Previous year's outputs	–	–	–
	Total other services	–	–	–
Total resourcing and payments		6,432	7,323	-891

Note: All figures are GST exclusive.

a Appropriation Acts (No. 1) 2018–19.

b Includes an amount of \$62,000 for the Departmental Capital Budget.

Table 14: Resource summary, Outcome 1^a

Program 1.1: Safeguarding the Integrity of the Medicare Program and Pharmaceutical Benefits Scheme	[A] Budget 2018–19 (\$'000)	[B] Actual expenses 2018–19 (\$'000)	[A - B] Variation (\$'000)
Departmental outputs	6,299	7,315	-1,016
Average staffing level (number)	23	23	0

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 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

Note 15: Aggregate assets and liabilities



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 2019:

- (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 2019 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 2019 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; and
- Notes to and forming part of the the financial statements.

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 is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing the Professional Services Review'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



Lorena Skipper
A/g Executive Director

Delegate of the Auditor-General

Canberra
23 September 2019

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2019 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

23 September 2019



.....
Linnet Lee
Chief Financial Officer
Professional Services Review

23 September 2019

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2019

	Notes	2019 \$	2018 \$	Original Budget 2019 \$
NET COST OF SERVICES				
Expenses				
Employee benefits	1A	3,032,112	2,609,065	3,168,000
Supplier expenses	1B	3,996,435	3,007,464	2,853,092
Depreciation and amortisation	4A	268,003	183,433	276,000
Finance costs	1C	1,908	1,776	1,908
Impairment loss allowance on financial instruments	1D	7,000	7,000	-
Losses from disposal of assets	1E	9,858	979	-
Total expenses		7,315,316	5,809,717	6,299,000
Own-Source Income				
Own-source revenue				
Rendering of services	2A	45,000	-	-
Other revenue	2B	35,000	32,500	34,000
Total own-source revenue		80,000	32,500	34,000
Gains				
Other gains	2C	3,183	20,858	-
Total gains		3,183	20,858	-
Total own-source income		83,183	53,358	34,000
Net cost of services		7,232,133	5,756,359	6,265,000
Revenue from Government - departmental appropriations	2D	6,946,000	5,518,000	6,006,000
Surplus (Deficit) attributable to the Australian Government		(286,133)	(238,359)	(259,000)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		11,059	39,481	-
Total other comprehensive income		11,059	39,481	-
Total comprehensive income attributable to the Australian Government		(275,074)	(198,878)	(259,000)

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

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2019

Budget Variances Commentary

Statement of Comprehensive Income

Employee benefits were \$136K (4%) lower than budget due to timing of recruitment. The budget also assumes positions are remunerated above the lowest pay point in the relevant salary band.

Supplier expenses were \$1,143K (40%) higher than budget. The variance was due to an increase in the number of lists reviewed for cases referred to PSR during the year (2019: 945; 2018: 749) and an increase in the number of hearings & meeting days held (2019: 135; 2018: 67).

Impairment loss allowance on financial instruments was higher than budget by \$7K and relates to the allowance for credit losses. A settlement in favour of PSR for a litigation case recognised in a prior year has been partially paid (68%). The remaining balance is overdue. At the time of budget, there was no indication of further impairment. PSR has assessed total impairment at 66% of the remaining balance based on repayment activity to date.

Losses from disposal of assets were higher than budget by \$10K. The variance was due to disposal of obsolete software. These assets would not have been identified for disposal at the time of budget.

Rendering of services was \$45K higher than budget, and represents a settlement in favour of PSR for a litigation case that was before the Federal Court. At the time of budget, the settlement could not be determined.

An increase in other gains of \$3K 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.

During the year, PSR received authority to spend \$940K in appropriation revenue under the Medicare Compliance Expansion of Data Matching Activities Measure.

At 30 June, PSR undertook a desktop valuation of its assets. At the time of budget, movements in asset carrying amounts from the desktop valuation could not be estimated, and was not likely to be significant. For some asset classes, the valuation resulted in fair value movements greater than 10% and increased the asset revaluation reserve by \$11K.

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	2019 \$	2018 \$	Original Budget 2019 \$
ASSETS				
Financial Assets				
Cash and cash equivalents	3A	78,925	79,764	79,000
Trade and other receivables	3B	2,290,886	2,242,890	2,141,000
Total financial assets		2,369,811	2,322,654	2,220,000
Non-Financial Assets				
Leasehold improvements	4A	375,300	493,551	333,000
Plant and equipment	4A	346,963	344,643	426,000
Intangibles	4A	425,500	368,481	283,000
Other non-financial assets	4B	51,709	44,898	47,000
Total non-financial assets		1,199,472	1,251,573	1,089,000
Total assets		3,569,283	3,574,227	3,309,000
LIABILITIES				
Payables				
Suppliers	5A	306,779	317,726	297,000
Other payables	5B	119,635	135,942	86,000
Total payables		426,414	453,668	383,000
Provisions				
Employee provisions	9	789,514	555,030	685,000
Provision for restoration obligations	6	96,300	95,400	100,000
Total provisions		885,814	650,430	785,000
Total liabilities		1,312,228	1,104,098	1,168,000
Net assets		2,257,055	2,470,129	2,141,000
EQUITY				
Contributed equity		1,708,497	1,646,497	1,708,000
Reserves		842,532	831,473	792,000
Retained surplus/(Accumulated deficit)		(293,974)	(7,841)	(359,000)
Total equity		2,257,055	2,470,129	2,141,000

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

Budget Variances Commentary

Statement of Financial Position

Trade and other receivables were higher than budget by \$150K (7%). The balance at year end represents \$1.2K in appropriation receivables which is lower than the budget amount and consistent with an increase in supplier expenses, but also includes \$940K in appropriation revenue, receivable from the Medicare Compliance Expansion of Data Matching Activities Measure. At the time of budget, additional funding from this measure had not been sought.

Leasehold improvements were higher than budget by \$42K (13%). In 2017-18, remaining work on the office fitout, carried over into the current year. Approximately \$36K in additions were capitalised. At the time of budget, the value of these additions had not been determined. The budget represents the asset's carrying value less depreciation during the year, before additional work on the fitout was commissioned.

Plant and equipment was lower than budget by \$78K which represents the assets' accumulated depreciation, written back at year end. At 30 June, PSR undertook a desktop valuation of its assets. The valuation resulted in fair value movements greater than 10% and the carrying amounts were restated to fair value. At the time of budget, movements in asset carrying amounts from the desktop valuation could not be estimated, and was not likely to be significant.

Intangibles were higher than budget by \$143k (50%). During the year, software was purchased to enhance the agency's ICT system capability and security. These costs were unknown at the time of budget. PSR also commissioned a refresh of its standard operating environment and further enhancements were made to PSR's case management system. The budget represents the asset's carrying value less amortisation during the year, before the refresh and additional enhancements to the case management system had been identified.

Other non-financial assets which have increased by \$5K (10%), represents a prepayment of additional software licences.

Other payables were higher than budget by \$34K (39%) as the budget did not take into consideration performance bonuses at year end.

Employee provisions were higher than budget by \$105K (15%). During the year, approximately \$56K in leave balances were transferred in from new starters. The 10 year treasury bond rate at 30 June decreased from 2.5% to 1.3%, increasing the discount factor applied to long service leave, and the overall provision by approximately \$39K.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2019

	2019	2018	Original Budget 2019
Notes	\$	\$	\$
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	1,646,497	997,497	1,646,000
Opening balance	1,646,497	997,497	1,646,000
Transactions with owners			
Contributions by owners			
Departmental capital budget	62,000	649,000	62,000
Total transactions with owners	62,000	649,000	62,000
Closing balance as at 30 June	1,708,497	1,646,497	1,708,000
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(7,841)	325,896	(100,000)
Opening balance	(7,841)	325,896	(100,000)
Comprehensive income			
Surplus/(Deficit) for the period	(286,133)	(238,359)	(259,000)
Total comprehensive income	(286,133)	(238,359)	(259,000)
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	(293,974)	(7,841)	(359,000)
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	831,473	791,992	792,000
Opening balance	831,473	791,992	792,000
Comprehensive income			
Other comprehensive income	11,059	39,481	-
Total comprehensive income	11,059	39,481	-
Closing balance as at 30 June	842,532	831,473	792,000

STATEMENT OF CHANGES IN EQUITY (Continued)

for the period ended 30 June 2019

	Notes	2019 \$	2018 \$	Original Budget 2019 \$
TOTAL EQUITY				
Balance carried forward from previous period		<u>2,470,129</u>	2,115,385	<u>2,338,000</u>
Opening balance		<u>2,470,129</u>	<u>2,115,385</u>	<u>2,338,000</u>
Comprehensive income				
Surplus (Deficit) for the period		(286,133)	(238,359)	(259,000)
Other comprehensive income		11,059	39,481	-
Total comprehensive income		<u>(275,074)</u>	<u>(198,878)</u>	<u>(259,000)</u>
Transactions with owners				
Distributions to owners				
Returns of capital				
Repeal of prior year appropriations ¹		-	(95,378)	-
Contributions by owners				
Departmental capital budget		62,000	649,000	62,000
Total transactions with owners		<u>62,000</u>	<u>553,622</u>	<u>62,000</u>
Closing balance as at 30 June		<u>2,257,055</u>	<u>2,470,129</u>	<u>2,141,000</u>

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

Total comprehensive income has increased by approximately \$16K (8%). The variance is represented by an increase of \$27K 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 and plant and equipment at 30 June 2019.

CASH FLOW STATEMENT

for the period ended 30 June 2019

	2019	2018	Original Budget 2019
Notes	\$	\$	\$
OPERATING ACTIVITIES			
Cash received			
Appropriations	7,060,408	5,820,571	5,667,000
Sale of goods and rendering of services	48,183	20,858	-
Net GST received	282,357	257,680	254,000
Total cash received	7,390,948	6,099,109	5,921,000
Cash used			
Employees	2,808,240	2,563,055	3,016,000
Suppliers	4,273,153	3,081,483	2,815,000
Section 74 receipts transferred to OPA	364,262	352,742	-
Total cash used	7,445,655	5,997,280	5,831,000
Net cash from/(used by) operating activities	8 (54,707)	101,829	90,000
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	72,903	541,930	132,000
Purchase of intangibles	135,995	90,510	20,000
Total cash used	208,898	632,440	152,000
Net cash (used by) investing activities	(208,898)	(632,440)	(152,000)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - Departmental capital budget	262,766	509,863	62,000
Total cash received	262,766	509,863	62,000
Net cash from financing activities	262,766	509,863	62,000
Net increase/(decrease) in cash held	(839)	(20,748)	-
Cash and cash equivalents at the beginning of the reporting period	79,764	100,512	79,000
Cash and cash equivalents at the end of the reporting period	3A 78,925	79,764	79,000

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

CASH FLOW STATEMENT

for the period ended 30 June 2019

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 \$48K represents cash received from a settlement in favour of PSR for a litigation case, and a Comcare refund for prior year premiums, which could not be forecasted at the time of budget.

Net GST received was \$28K (11%) higher than budget which is consistent with an increase in supplier expenses.

Cash used for employees was lower than budget by \$207K (7%). 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.

Section 74 receipts were higher than budget, as the budget did not take into consideration GST refunds that would have been returned to consolidated revenue during the year.

Cash used for property, plant and equipment was lower than budget by \$59K (45%), while cash used for intangibles was higher than budget by \$116K. The budget assumes a higher balance for plant and equipment, and a lower balance for intangibles on the basis the rebuild of the agency's standard operating environment was hardware, not software. The overall cash used for non-financial assets was \$57K (37%) higher than budget due to timing of cash drawn for prior year asset additions.

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 2018-19, 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); and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Certain comparative amounts have been reclassified or adjusted to comply with current year's presentation. There are minor changes to Note 1.

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 2018-19 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 2018-19 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 2018-19 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 2018-19 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 2019

Note 1: Expenses

	2019	2018
	\$	\$
Note 1A: Employee Benefits		
Wages and salaries	2,319,688	2,014,617
Superannuation		
Defined contribution plans	303,006	263,927
Defined benefit plans	64,641	68,912
Leave and other entitlements	344,777	261,609
Separation and redundancies	-	-
Total employee benefits	3,032,112	2,609,065

Accounting Policy

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

Note 1B: Suppliers

Goods and services supplied or rendered

Legal expenses	222,756	149,418
Case related fees	923,629	637,784
Other case related expenses	824,612	624,384
Consultant fees	641,067	415,758
Contractor expenses	372,996	133,171
Telephone and internet	75,863	74,146
Recruitment expenses	11,678	5,317
Other expenses	430,487	453,645
Total goods and services supplied or rendered	3,503,088	2,493,623

Other suppliers

Operating lease rentals	307,676	303,333
Workers compensation expenses	185,671	210,508
Total other suppliers	493,347	513,841
Total suppliers	3,996,435	3,007,464

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.

Financial Performance

This section analyses the financial performance of PSR for the year ended 2019

Note 1: Expenses

	2019	2018
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	365,678	354,642
Between 1 to 5 years	747,893	1,128,812
More than 5 years	-	-
Total operating lease commitments	1,113,571	1,483,454

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	1,908	1,776
Total finance costs	1,908	1,776

Accounting Policy

Borrowing Costs

All borrowing costs are expensed as incurred.

Note 1D: Impairment Loss Allowance on Financial Instruments

Impairment on trade and other receivables	7,000	7,000
Total impairment on financial instruments	7,000	7,000

Note 1E: Losses on Disposal of Assets

Dispose of property, plant and equipment	-	979
Dispose of intangibles	9,858	-
Total losses on disposal of assets	9,858	979

Financial Performance

This section analyses the financial performance of PSR for the year ended 2019

Note 2: Income

	2019	2018
Own-Source Revenue	\$	\$

Note 2A: Rendering of Services

Settlement from litigations	45,000	-
Total rendering of services	45,000	-

Accounting Policy

Revenue

Revenue from the sale of goods is recognised when:

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

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

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

Note 2B: Other Revenue

Resources received free of charge	35,000	32,500
Total other revenue	35,000	32,500

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.

Financial Performance

This section analyses the financial performance of PSR for the year ended 2019

Note 2: Income

	2019	2018
	\$	\$
Gains		
Note 2C: Other Gains		
Insurance refunds received and other	3,183	20,858
Total other gains	3,183	20,858
Revenue from Government		
Note 2D: Revenue from Government		
Appropriations		
Departmental appropriations	6,946,000	5,518,000
Total revenue from Government	6,946,000	5,518,000

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

	2019	2018
	\$	\$
Note 3A: Cash and Cash Equivalents		
Cash on hand or on deposit	78,925	79,764
Total cash and cash equivalents	78,925	79,764

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	33,963	27,943
Other	941,340	340
Total goods and services receivables	975,303	28,283

Appropriations receivable

Existing programs	1,221,141	1,911,286
Departmental capital budget	81,550	282,316
Total appropriations receivable	1,302,691	2,193,602

Other receivables

GST receivable from the Australian Taxation Office	26,892	28,005
Total other receivables	26,892	28,005
Total trade and other receivables (gross)	2,304,886	2,249,890

Less impairment loss allowance

Goods and services	(14,000)	(7,000)
Total impairment loss allowance	(14,000)	(7,000)
Total trade and other receivables (net)	2,290,886	2,242,890

Accounting Policy

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment loss allowance. 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 2019. 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 2019

	Leasehold improvements	Plant & equipment	Computer software	Total
	\$	\$	\$	\$
As at 1 July 2018				
Gross book value	493,551	409,560	707,386	1,610,497
Accumulated depreciation, amortisation and impairment	-	(64,917)	(338,905)	(403,822)
Net book value as at 1 July 2018	493,551	344,643	368,481	1,206,675
Additions				
Purchase or internally developed	1,200	71,703	135,995	208,898
Revaluations and impairments recognised in other comprehensive income	1,412	8,639	-	10,051
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	(120,862)	(78,023)	(69,118)	(268,003)
Disposals	-	-	-	-
Other	(1)	1	(9,858)	(9,858)
Net book value as at 30 June 2019	375,300	346,963	425,500	1,147,763
Net book value as at 30 June 2019 represented by				
Gross book value	375,300	346,963	550,122	1,272,385
Accumulated depreciation and impairment	-	-	(124,622)	(124,622)
Net book value as at 30 June 2019	375,300	346,963	425,500	1,147,763

The carrying amount for buildings of \$375,300 (2018: \$493,551) and plant and equipment of \$346,963 (2018: \$344,643) were included in the valuation figures above. No indicators of impairment were found for property, plant and equipment.

During the year, PSR completed work on upgrading its ICT servers and Standard Operating Environment. 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 2019, an independent valuer, B&A Valuers, conducted a desktop valuation of PSR's leasehold improvements and property, plant & equipment.

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

No contractual commitments were entered into for property, plant and equipment at 30 June 2019. (2017-18: \$147,096)

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:

	2019	2018
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 2019. 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.

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 (2018: 4 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2019.

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

	2019	2018
	\$	\$
Note 4B: Other Non-Financial Assets		
Prepayments	51,709	44,898
Total other non-financial assets	51,709	44,898

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

Financial Position

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

Note 5: Payables

	2019	2018
	\$	\$
Note 5A: Suppliers		
Trade creditors and accruals	292,829	308,998
Operating lease rentals	13,950	8,728
Total suppliers	306,779	317,726

Settlement is made within 30 days.

Note 5B: Other Payables

Wages and salaries	54,985	51,769
Superannuation	2,983	2,506
Lease incentive	61,667	81,667
Total other payables	119,635	135,942

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

	2019	2018
	\$	\$
Note 6: Provision for restoration obligations		
Make good obligation	96,300	95,400
Total provision for restoration obligations	96,300	95,400

	Provision for restoration
	\$
Carrying amount 1 July 2018	95,400
Additional provisions made	-
Amounts used	-
Amounts reversed	(1,008)
Finance cost - unwinding discount	1,908
Closing balance 2019	96,300

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 2019

	Annual Appropriation ¹	Adjustment to appropriation ²	Total appropriation	Appropriation applied in 2019 (current and prior years)	Variance ³
	\$	\$	\$	\$	\$
DEPARTMENTAL					
Ordinary annual services	6,946,000	86,149	7,032,149	(6,782,295)	249,854
Capital Budget ⁴	62,000	-	62,000	(262,766)	(200,766)
Total departmental	7,008,000	86,149	7,094,149	(7,045,061)	49,088

Notes:

1. In 2018-19, PSR received \$6,006,000 under Appropriation Bill (No. 1) 2018-19 and an additional \$940,000 which is to be received under Appropriation Bill (No.1) 2019-20.
2. Adjustment includes PGPA Act section 74 receipts.
3. Departmental appropriations were underspent by \$249,854. The variance was due to the delayed announcement of the Medicare Compliance Expansion of Data Matching Activities Measure.
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

ZA: 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

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

Authority	2019	2018
	\$	\$
DEPARTMENTAL		
Appropriation Act (No. 1) 2018-19	1,283,140	-
Appropriation Act (No. 1) 2017-18	19,550	1,709,977
Appropriation Act (No. 5) 2017-18	-	476,000
Cash balance	78,925	79,764
Total	1,381,615	2,265,741

The cash balance of \$78,925 represents unspent departmental appropriation from Appropriation Act (No.1) 2018-19; (2018: \$79,764 from Appropriation Act (No.1) and (No.5) 2017-18). Unspent departmental appropriation also includes a departmental capital budget of \$81,550 (2018: \$282,316).

Funding

This section identifies PSR's funding structure

Note 8: Cash Flow Reconciliation

	2019	2018
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	78,925	79,764
Statement of financial position	78,925	79,764
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/ (used by) operating activities:		
Net cost of services	(7,232,133)	(5,756,359)
Add revenue from Government	6,946,000	5,518,000
Adjustments for non-cash items		
Depreciation / amortisation	268,003	183,433
Net write down of non-financial assets	7,000	7,000
Loss on disposal of assets	9,858	979
Finance costs	1,908	1,776
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(255,762)	7,225
(Increase) / decrease in prepayments	(6,811)	15,802
Increase / (decrease) in employee provisions	234,484	1,197
Increase / (decrease) in supplier payables	(10,947)	29,868
Increase / (decrease) in other payables	(16,307)	92,908
Net cash from/ (used by) operating activities	(54,707)	101,829

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

	2019	2018
	\$	\$
Note 9: Employee Provisions		
Leave	<u>789,514</u>	<u>555,030</u>
Total employee provisions	<u>789,514</u>	<u>555,030</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 2019. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The other factors which have been considered in determining the long term leave liability for long service leave include salary growth, probability factors and on costs.

Separation and Redundancy

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

Superannuation

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

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

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

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

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

People and relationships

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

Note 10: Key Management Personnel Remuneration

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

	2019	2018
	\$	\$
Short-term employee benefits	908,242	887,603
Post-employment benefits	121,274	116,959
Other long-term employee benefits	105,879	92,540
Total key management personnel remuneration expenses¹	1,135,395	1,097,102

The total number of key management personnel included in the above table represents 5 individuals (2018: 5 individuals). During the reporting period, 1 of the 5 individuals was on acting arrangements.

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 (2018: 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 (2018: 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 2019, PSR did not have any quantifiable contingencies (2018: 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 (2018: nil).

Significant Remote Contingencies

At 30 June 2019 PSR did not have any significant remote contingencies (2018: 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

	2019	2018
	\$	\$
Note 13A: Categories of Financial Instruments		
Financial Assets under AASB 139		
Loans and receivables		
Cash and cash equivalents	-	79,764
Trade and other receivables	-	21,283
Total loans and receivables	-	101,047
Total financial assets	-	101,047
Financial Assets under AASB 9		
Financial assets at amortised cost		
Cash and cash equivalents	78,925	-
Trade and other receivables	961,303	-
Total financial assets at amortised cost	1,040,228	-
Total financial assets	1,040,228	-
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - Suppliers	306,779	317,726
Total financial liabilities	306,779	317,726

Managing uncertainties

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

Note 13: Financial Instruments

Classification of financial assets on the date of initial application of AASB 9

	AASB 139 Original classification	AASB 9 New classification	AASB 139 carrying amount at 30 June 2018	AASB 9 carrying amount at 1 July 2018
Financial Assets Class				
Cash and cash equivalents		Amortised cost	79,764	79,764
Trade and other receivables		Amortised cost	21,283	21,283
Total financial assets			101,047	101,047

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

	AASB 139 carrying amount at 30 June 2018	Reclassification	Remeasurement	AASB 9 carrying amount at 1 July 2018
Financial Assets at amortised cost				
Loans and receivables				
Cash and cash equivalents	79,764	-	-	79,764
Trade and other receivables	21,283	-	-	21,283
Total Financial Assets at amortised cost	101,047	-	-	101,047

1. The carrying amount of cash and trade and other receivables under AASB 139 has not changed on transition to AASB 9.

Managing uncertainties

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

Note 13: Financial Instruments

Accounting Policy

Financial Assets

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, PSR classifies its financial assets as financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial Liabilities

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

Financial Liabilities at Amortised Cost

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 interest 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	
	2019	2018
	\$	\$
Non-financial assets		
Leasehold improvements	375,300	493,551
Other property, plant and equipment	346,963	344,643
Total non-financial assets	722,263	838,194
Total fair value measurements of assets in the statement of financial position	722,263	838,194

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.

Other information

Note 15: Aggregate Assets and Liabilities

	2019	2018
	\$	\$
Note 15: Aggregate Assets and Liabilities		
Assets expected to be recovered in		
No more than 12 months	2,422,487	2,368,363
More than 12 months	1,146,796	1,205,864
Total assets	3,569,283	3,574,227
Liabilities expected to be settled in		
No more than 12 months	545,632	523,124
More than 12 months	766,596	580,974
Total liabilities	1,312,228	1,104,098

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	Mark	Arnold	12-Sep-18	29-May-22	Panel
Dr	Michael	Badham	25-Jan-19	29-May-22	Panel
Dr	Michael	Badham	25-Jan-19	29-May-20	Determining Authority
Dr	Robert	Bailey	25-Jan-19	29-May-22	Panel
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	Peter	Cheung	30-May-17	29-May-22	Panel
Dr	Eleanor	Chew	26-Mar-18	29-May-22	Panel
Dr	Weng	Chin	1-Apr-19	31-Mar-24	Panel
Dr	Yan	Chow	1-Apr-19	31-Mar-24	Panel
Dr	Helen	Chriss	30-May-17	29-May-22	Panel

Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
Dr	Rachel	Christmas	1-Apr-19	31-Mar-24	Panel
Dr	Antonio	Cocchiaro	30-May-17	29-May-22	Panel
Dr	Debra	Coleman	19-Oct-17	29-May-22	Panel
Prof	Alan	Cooper	30-May-17	29-May-22	Panel—Deputy Director
Dr	Heather	Coventry	12-Sep-18	29-May-22	Panel
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	Marijke	Eastaugh	8-Oct-18	29-May-22	Panel
Dr	Pathma	Edge	25-Jan-19	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
Dr	Alison	Garvin	25-Jan-19	29-May-22	Panel
Prof	John	Gibson	12-Sep-18	29-May-22	Panel
Prof	Gerard Francis	Gill	30-May-17	29-May-22	Panel
Dr	Nicole	Goh	25-Jan-19	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
Dr	Kerry	Harris	30-May-17	29-May-22	Panel
A/Prof	Charlotte	Hespe	30-May-17	29-May-22	Panel
Prof	Peter	Hewett	1-Apr-19	31-Mar-24	Panel

Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
Dr	Alan	Hodgson	30-May-17	29-May-22	Panel
Dr	Charles	Howse	12-Sep-18	29-May-22	Panel—Deputy Director
Dr	Michael	Hurley	30-May-17	29-May-22	Panel—Deputy Director
Dr	Cathy	Hutton	12-Sep-18	29-May-22	Panel
A/Prof	Aniello	Iannuzzi	22-May-18	29-May-20	Determining Authority
Dr	Gerard	Ingham	30-May-17	29-May-22	Panel—Deputy Director
A/Prof	Rajeev	Jyoti	5-Oct-17	29-May-22	Panel
Dr	Kathleen	Keating	30-May-17	31-Aug-19	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	Alan	Leeb	30-May-17	29-May-22	Panel
Dr	Peter	Lorenz	30-May-17	29-May-22	Panel
Dr	Caroline	Luke	25-Jan-19	29-May-22	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-Aug-20	Panel
Dr	Gavin	Mackie	5-Oct-17	29-May-22	Panel
Dr	Peter	Maguire	15-Aug-17	22-May-22	Panel
Dr	Linda	Mann	30-May-17	29-May-22	Panel
Ms	Donna	Mansell	24-Jul-18	29-May-22	Panel—Deputy Director
Dr	Mona	Marabani	1-Apr-19	31-Mar-24	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	Mark	McEwan	25-Jan-19	29-May-22	Panel
Dr	Rod	McMahon	30-May-17	29-May-22	Panel—Deputy Director
Dr	Suzanne	Miau	26-Mar-18	29-May-22	Panel
Dr	Wayne	Minter	25-Jan-19	29-May-22	Panel—Deputy Director

Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
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	12-Sep-18	29-May-22	Panel—Deputy Director
Dr	Emma	Palfreyman	25-Jan-19	29-May-22	Panel
Ms	Melissa	Pearce	24-Jul-18	29-May-22	Panel—Deputy Director
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	Angela	Pierce	29-Nov-18	29-May-22	Panel
Dr	Susanna	Proudman	1-Apr-19	31-Mar-24	Panel
Dr	Catherine	Reid	25-Jun-18	29-May-22	Panel—Deputy Director
Dr	David	Rivett	30-May-17	29-May-22	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
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
Dr	Marietta	Taylor	29-Nov-18	29-May-22	Panel
Prof	John	Thompson	1-Apr-19	31-Mar-24	Panel—Deputy Director

Title	First Name	Last Name	Appointment commenced	Appointment expires	Type of Appointment
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	Richard	Widmer	1-Apr-19	31-Mar-24	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	Carolyn	Wright	02-May-19	31-Mar-24	Panel
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

PGPA Rule Reference	Part of Report	Description	Requirement	Page Number
17AD(g)	Letter of transmittal			
17AI	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
17AD(h)	Aids to access			
17AJ(a)	Table of Contents	Table of contents.	Mandatory	v–vii
17AJ(b)	Index	Alphabetical index.	Mandatory	93–96
17AJ(c)	Gloassary	Glossary of abbreviations and acronyms.	Mandatory	85–86
17AJ(d)	List of requirements	List of requirements.	Mandatory	87–92
17AJ(e)	Publication information	Details of contact officer.	Mandatory	iii
17AJ(f)	Publication information	Entity's website address.	Mandatory	ii
17AJ(g)	Publication information	Electronic address of report.	Mandatory	ii
17AD(a)	Review by accountable authority			
17AD(a)	Director's introduction	A review by the accountable authority of the entity.	Mandatory	9–12
17AD(b)	Overview of the entity			
17AE(1)(a)(i)	Agency overview	A description of the role and functions of the entity.	Mandatory	6–8
17AE(1)(a)(ii)	Structure and organisation	A description of the organisational structure of the entity.	Mandatory	23–24
17AE(1)(a)(iii)	Agency and scheme objectives	A description of the outcomes and programmes administered by the entity.	Mandatory	7–8
17AE(1)(a)(iv)	Entity purpose	A description of the purposes of the entity as included in corporate plan.	Mandatory	22–23
17AE(1)(aa)(i)	Key Management Personnel	Name of the accountable authority or each member of the accountable authority.	Mandatory	30
17AE(1)(aa)(ii)	Key management personnel	Position title of the accountable authority or each member of the accountable authority.	Mandatory	30
17AE(1)(aa)(iii)	Key management personnel	Period as the accountable authority or member of the accountable authority within the reporting period.	Mandatory	30

PGPA Rule Reference	Part of Report	Description	Requirement	Page Number
17AE(1)(b)	Management and accountability	An outline of the structure of the portfolio of the entity.	Portfolio departments—mandatory	24
17AE(2)	N/A	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	N/A
17AD(c)	Report on the Performance of the entity			
	<i>Annual performance Statements</i>			
17AD(c)(i); 16F	Performance statement	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	9–21
17AD(c)(ii)	Report on Financial Performance			
17AF(1)(a)	Financial performance	A discussion and analysis of the entity's financial performance.	Mandatory	35–37
17AF(1)(b)	Appendix 1	A table summarising the total resources and total payments of the entity.	Mandatory	38
17AF(2)	N/A	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	N/A
17AD(d)	Management and Accountability			
	<i>Corporate Governance</i>			
17AG(2)(a)	Identifying and managing risk/Fraud control	Information on compliance with section 10 (fraud systems).	Mandatory	26
17AG(2)(b)(i)	Letter of transmittal	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	iii
17AG(2)(b)(ii)	Letter of transmittal	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	iii
17AG(2)(b)(iii)	Letter of transmittal	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	iii
17AG(2)(c)	Corporate governance and business planning	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	22–25

PGPA Rule Reference	Part of Report	Description	Requirement	Page Number
17AG(2)(d)–(e)	N/A	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, mandatory N/A	N/A
<i>External Scrutiny</i>				
17AG(3)	External scrutiny	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	26
17AG(3)(a)	N/A	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 N/A	N/A
17AG(3)(b)	N/A	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 N/A	N/A
17AG(3)(c)	N/A	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory N/A	N/A
<i>Management of Human Resources</i>				
17AG(4)(a)	Management of human resources	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	27–28
17AG(4)(aa)	Australian Public Service staff	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location.	Mandatory	28
17AG(4)(b)	Australian Public Service staff	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including the following: - 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	28
17AG(4)(c)	Enterprise agreement and Australian Workplace Agreements	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	29
17AG(4)(c)(i)	Key Management Personnel	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	32
17AG(4)(c)(ii)	Table 9: Current PSR salary ranges	The salary ranges available for APS employees by classification level.	Mandatory	29

PGPA Rule Reference	Part of Report	Description	Requirement	Page Number
17AG(4)(c)(iii)	Non-salary benefits	A description of non-salary benefits provided to employees.	Mandatory	29
17AG(4)(d)(i)	Performance Pay	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory	29–30
17AG(4)(d)(ii)	Table 10: Performance pay to PSR employees	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory	30
17AG(4)(d)(iii)	Table 10: Performance pay to PSR employees	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory	30
17AG(4)(d)(iv)	Table 10: Performance pay to PSR employees	Information on aggregate amount of performance payments.	If applicable, mandatory	30
<i>Assets Management</i>				
17AG(5)	Asset management	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	35
<i>Purchasing</i>				
17AG(6)	Purchasing	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	35
<i>Consultants</i>				
17AG(7)(a)	Consultants	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	36
17AG(7)(b)	Consultants	A statement that "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]."	Mandatory	36
17AG(7)(c)	Consultants	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	36
17AG(7)(d)	Consultants	A statement that "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."	Mandatory	36

PGPA Rule Reference	Part of Report	Description	Requirement	Page Number
<i>Australian National Audit Office Access Clauses</i>				
17AG(8)	Australian National Audit Office access clauses	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the 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	36
<i>Exempt contracts</i>				
17AG(9)	Exempt contracts	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory	36
<i>Small business</i>				
17AG(10)(a)	Procurement initiatives to support small business	A statement that "[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."	Mandatory	37
17AG(10)(b)	Procurement initiatives to support small business	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	37
17AG(10)(c)	Procurement initiatives to support small business	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	37
<i>Financial Statements</i>				
17AD(e)	Appendix 2: Financial Statements	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	39–78
<i>Executive Remuneration</i>				
17AD(da)	Senior Executive Remuneration	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the Rule.	Mandatory	32

PGPA Rule Reference	Part of Report	Description	Requirement	Page Number
17AD(f)	Other Mandatory Information			
17AH(1)(a)(i)	Advertising and marketing research	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	37
17AH(1)(a)(ii)	Advertising and marketing research	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory	37
17AH(1)(b)	N/A	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 N/A	N/A
17AH(1)(c)	Disability reporting mechanisms	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	33
17AH(1)(d)	Appendix 3: Freedom of Information Statement	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	79
17AH(1)(e)	N/A	Correction of material errors in previous annual report.	If applicable, mandatory N/A	N/A
17AH(2)	Publications	Information required by other legislation.	Mandatory	37

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