

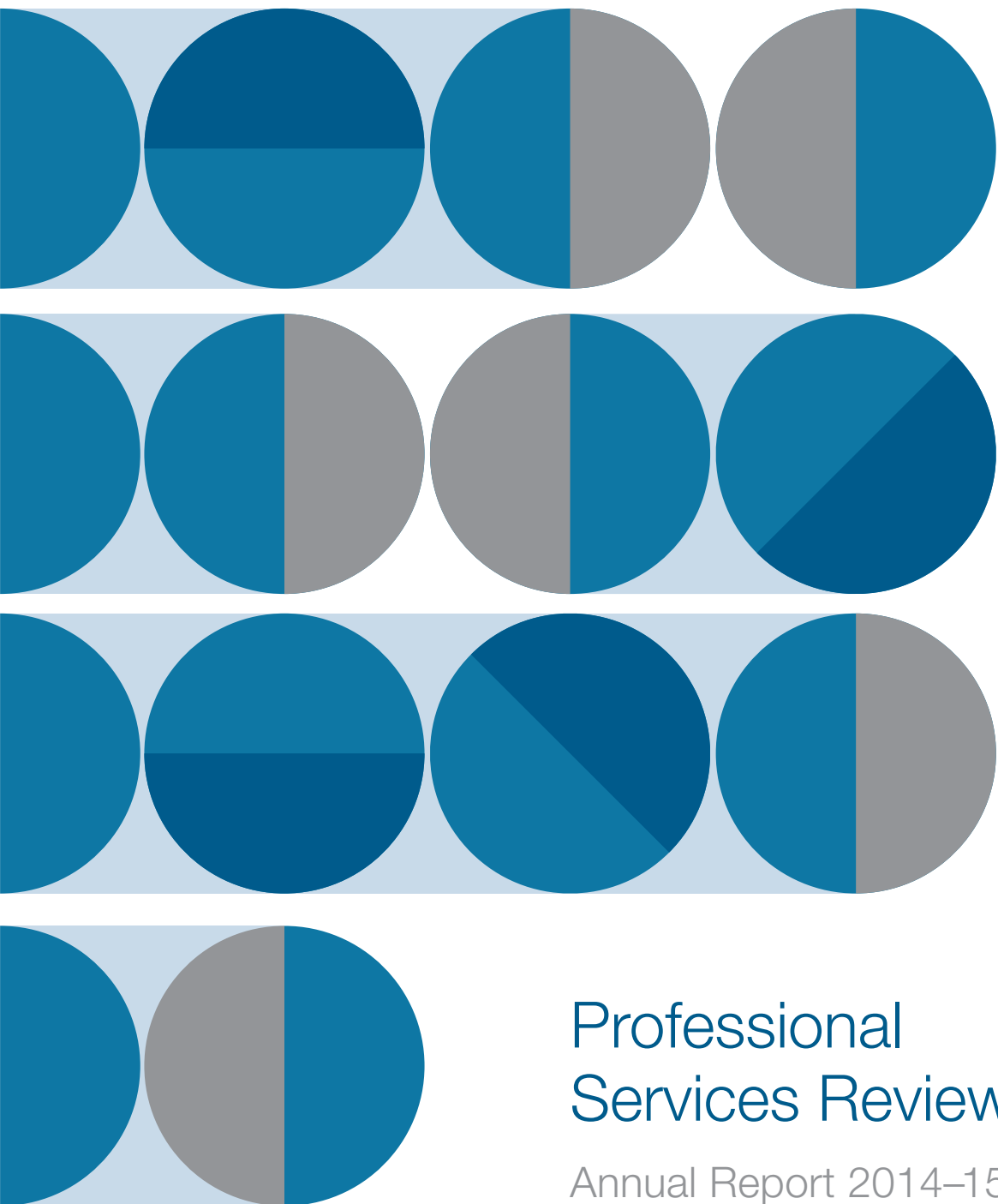


Australian Government
Professional Services Review



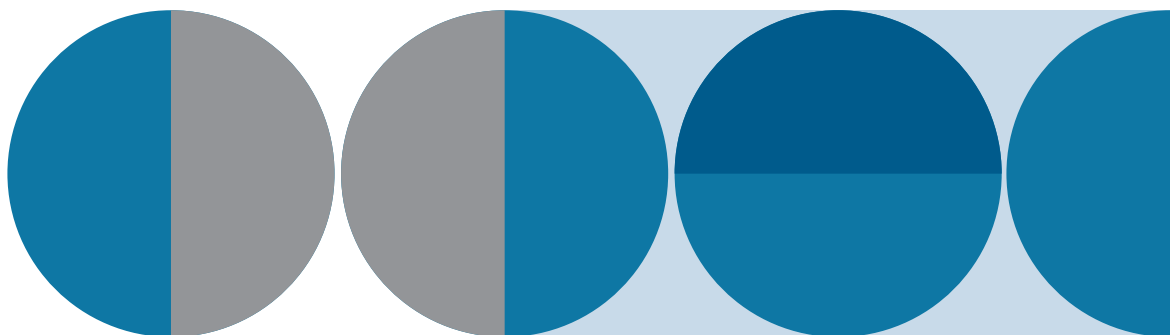
Professional Services Review

Annual Report 2014–15



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Letter of transmittal

The Hon. Sussan Ley 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 ending 30 June 2015.

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

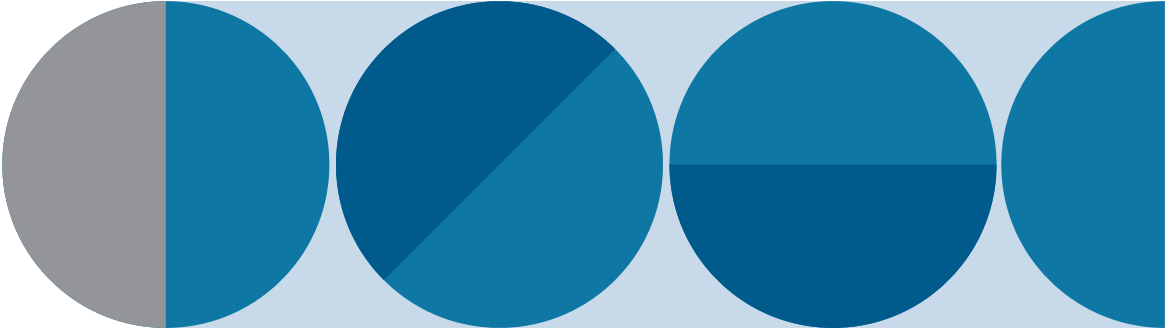
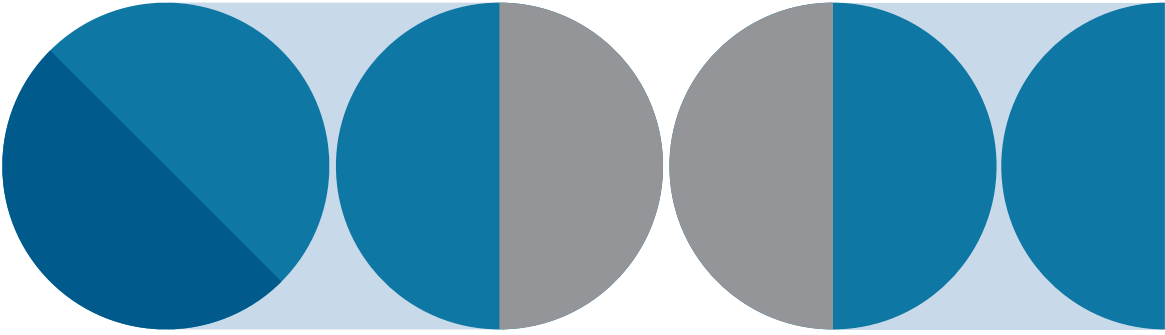
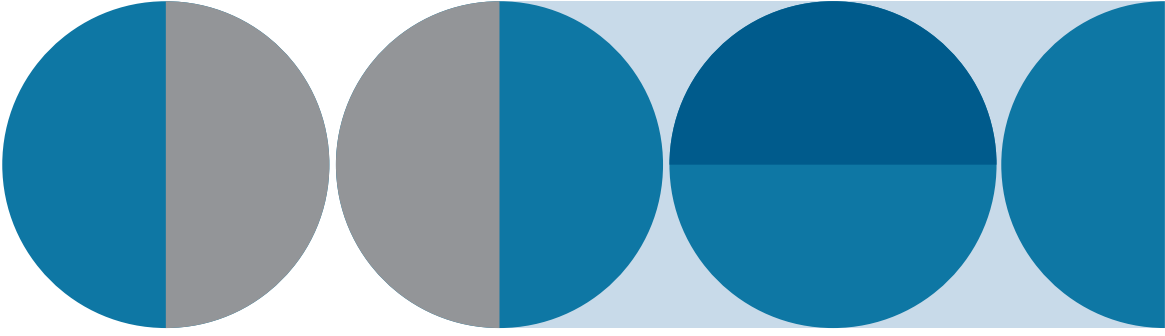
The report includes the Professional Services Review Agency's audited financial statements, as required under sections 42 and 43 of the *Public Governance, Performance and Accountability Act 2013*.

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

Yours sincerely



Dr Bill Coote
Director
Professional Services Review
October 2015



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Director's introduction

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

PSR is a peer review system. Committees of peers are established from the PSR Panel. The Panel comprises practitioners nominated by relevant professional bodies and appointed to the panel by the Minister for Health.

The legislation empowers PSR to require practitioners to provide samples of clinical records. Under the PSR Scheme, substantial sanctions can be imposed on practitioners who are found to have engaged in 'inappropriate practice'. These sanctions include repayment of Medicare benefits; the amount to be repaid can be 'extrapolated' to all services in the defined class provided during a defined year. A practitioner can also be disqualified from all or part of the Medicare or pharmaceutical benefits arrangements for some years.

Concerns regarding the health, conduct or performance of a practitioner sometimes become apparent during PSR's investigative processes. The legislation establishing PSR empowers PSR to refer such matters through the Australian Health Practitioner Regulation

Agency to relevant professional boards, and state and territory health complaints bodies. Since PSR was established, about 15% of practitioners referred to PSR have been referred on to a professional registration board.

Professional Services Review in 2014–15

This Annual Report details activities undertaken by PSR during 2014–15.

During 2014–2015, three educational sessions were held for PSR Panel members:

- A training session for panel members was held in Sydney on 11 April 2015.
- A similar session was held in Melbourne on 16 May 2015.
- A training session for Deputy Directors was held in Canberra on 12–13 June 2015. Senior representatives from the Department of Human Services (DHS), the Department of Health, the Australian Medical Association (AMA) and the Royal Australian College of General Practitioners attended this meeting.

These educational events concentrated on PSR committee processes, with a focus on ensuring that practitioners were accorded due process. At the sessions, selected Panel members participated in mock committee hearings.

Issues under consideration within PSR include:

- further adoption of electronic communications, with plans for an eventual PSR 'portal', to facilitate committee members' input to draft reports and other documents
- further development of the processes currently in place to provide committee members with electronic versions of clinical notes for committee meetings; this is complicated by the variable adoption of electronic records by practitioners referred to PSR and by the range of commercial medical record systems in use across Australia
- initiatives to speed up the steps required under the Health Insurance Act that are within PSR's direct control, including preparation of draft reports of committee hearings.

The PSR Advisory Committee (PSRAC) has membership from the Department of Health, DHS, the AMA and PSR. The committee meets each year, providing a forum for raising policy and operational issues relevant to PSR. Issues that PSR proposes discussing at PSRAC include a facilitated process for appointing members to the PSR Panel when there is a requirement for a committee of peers of practitioners from disciplines not often referred to PSR. The current process can cause long delays in establishing PSR peer review committees.

Conclusion

As Director, I would like to acknowledge the individual practitioners on the PSR Panel. Without the dedication of these practitioners, PSR could not function.

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

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



Dr Bill Coote
Director
Professional Services Review

Agency overview

The Professional Services Review Scheme

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

About the Professional Services Review Agency

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

To help guide our performance, we have defined our own values and behaviours, which are underpinned by the Australian Public Service (APS) Values. We place a high value on fairness, transparency and professionalism, and these values guide us in performing our role.

Our stakeholders

During 2014–15, PSR continued to work closely with key stakeholders to improve its operations. PSR stakeholders include the Department of Health, DHS, the AMA and other relevant professional organisations. The Director of PSR has engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme.

Agency and scheme objectives

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

The object of this Part is to protect the integrity of the Commonwealth Medicare benefits, 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 lists the categories of medical and allied practitioners that are subject to review under Part VAA.

Agency outcome

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

PSR is accountable for delivering one of 29 outcomes allocated to the federal Health portfolio:

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

PSR Agency delivery of outcome

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

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

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

PSR has acted on the recommendations from these reviews. It continues to strengthen its governance processes and build its capacity to deliver a rigorous peer review scheme that affords procedural fairness to practitioners, and meets the outcome of protecting the integrity of Medicare and the Pharmaceutical Benefits Scheme (PBS).

The future

As the Medicare Benefits Schedule (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.

Report on performance

Outcome, and aims and major activities of the program

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

The PSR Scheme is funded to ensure that requests by Medicare (part of DHS) to investigate suspected cases of inappropriate practice are reviewed and, if necessary, examined by committees of the practitioners' peers.

PSR's program aims to:

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

Protecting against inappropriate health care practice

During the 2014–15 reporting period, PSR continued to investigate health care professionals; refer matters to committees; progress PSR committee hearings; support the Determining Authority in its determination of sanctions and consideration of negotiated agreements; and refer behaviour that may be a threat to the life or health of patients, or that fails to meet professional standards, to the relevant bodies for appropriate action.

A summary of outcomes is provided in the 'Professional Services Review Agency performance' section of this report.

Maintaining professional support for PSR

During 2014–15, the Director of PSR engaged with a broad range of stakeholders to provide information on the activities and outcomes of the PSR Scheme. These stakeholders included:

- Royal Australian College of General Practitioners (RACGP)
- Optometrists Association of Australia
- Australian Dental Association
- Australian Physiotherapy Association
- Australian Osteopathic Association
- Australasian Podiatry Council
- Australian College of Midwives
- Skin Cancer College Australasia.

Professional Services Review Agency performance

The following outline of PSR's performance relates to all activities it undertook during 2014–15. This included work on 33 cases already in hand at the beginning of the reporting period, and 62 cases received during 2014–15. A total of 38 cases were completed, and, at the end of the reporting period, 57 cases were in hand.

Table 1: PSR's case statistics, 2014–15 compared with 2013–14

Action	2013–14	2014–15
Requests received from DHS	44	62
<ul style="list-style-type: none"> Requests by DHS to review a practitioner with a previous effective determination for a second or subsequent time 	8	11
No further action	15	12
Requests withdrawn or lapsed	0	1
Referrals from the PSR Director to new PSR committees	10	12
Committees in progress	9	10
Committee reports finalised	9	7
<ul style="list-style-type: none"> Reports finding inappropriate practice Reports finding no inappropriate practice 	8 1	7 0
Committee matters ceased	0	0
Referrals to medical boards or AHPRA	4	5
Referrals to Medicare Participation Review committees	0	0
Referrals to other bodies	0	0
Referrals to DHS for suspected fraud	0	0
Negotiated agreements ratified and effective	24	18
Draft determinations made	8	6
Final determinations made	6	8
Final determinations effective	6	7
Cases in hand at 30 June 2015 ^a	33	57

AHPRA = Australian Health Practitioner Regulation Agency; DHS = Australian Government Department of Human Services; PSR = Professional Services Review
Notes:

^a As PSR receives referrals from DHS throughout the year, case data cannot be reconciled within a 12-month period.

New referrals from the Department of Human Services

During 2014–15, PSR received 62 requests for review from DHS. This is 18 more than in 2013–14.

In 2014–15, PSR completed 38 cases. Of these, 12 were the subject of a decision by the PSR Director to take no further action, 18 were negotiated agreements that were ratified and became effective, 7 were final determinations that became effective during the reporting period, and 1 case lapsed. In

addition to the 38 cases completed, a final determination made during 2014–15 was the subject of an application for judicial review by the Federal Court and was still unresolved at the conclusion of the reporting period. See 'External review of actions' below. No cases resulted in a finding by a PSR committee of no inappropriate practice. During the reporting period, 12 cases were referred by the PSR Director to a committee of peers.

Table 1 compares PSR's case statistics for 2014–15 with those of the previous reporting period.

Cases in which no further action was taken

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

The PSR Director took no further action in 12 of the 38 cases completed in 2014–15. This represents 31.6% of all matters completed in the year.

In these 12 cases, a decision was reached in an average of 183 days (compared to an average of 100 days in 2013–14).

The cases involved 10 general practitioners, 1 anaesthetist and 1 medical practitioner. The practitioners were from New South Wales, Queensland, South Australia, Victoria and Western Australia.

Negotiated agreements

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

In 2014–15, 18 negotiated agreements became effective. Outcomes of these negotiated agreements include:

- repayment orders totalling \$1,568,344.00 in 18 cases
- reprimands in 18 cases
- partial disqualification in 10 cases.

The practitioners concerned were general practitioners, dentists and medical practitioners from the Northern Territory, New South Wales, Queensland, Victoria and South Australia.

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 so that the committee can determine whether the person has engaged in inappropriate practice in providing the services specified in the request received from DHS under s. 86 of the Act.

Members of peer review committees are drawn from a PSR Panel of 101 practitioners appointed during 2011–12 and 2012–13.

The PSR Panel consists of practitioners from a range of backgrounds and practice locations: 18% practise in inner regional areas, 4% practise in outer regional areas and 1% practise in remote areas. Women comprise 36% of the members of the PSR Panel.

During the 2014–15 financial year, the Director established 12 PSR committees and made referrals to each of them. Of the 12 practitioners referred to a PSR committee, 9 were general practitioners, 1 was a dentist and 2 were medical practitioners.

Of the 12 PSR committees established, 10 were still in progress at the end of the reporting period. Nine committee hearings had been held and 11 final committee reports had been sent to the Determining Authority. All the finalised committee reports resulted in findings of inappropriate practice.

The Determining Authority

In 2014–15, the Determining Authority made six draft determinations and eight final determinations following PSR committee report findings of inappropriate practice.

Draft determinations took an average of 94 days and the issuing of final determinations took an average of 154 days (Table 2).

Table 2: Average number of days to complete actions, 2013–14 and 2014–15

	2013–14	2014–15
No further action	100	183
Negotiated agreements	184	221
Final committee reports	268	374
Ratification of negotiated agreements	16	13
Draft determinations ^a	117	94
Final determinations ^a	204	154

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

During 2014–15, seven final determinations became effective. The directions made by the Determining Authority were:

- reprimand in six cases
- counselling in seven cases
- full disqualification from Medicare in two cases for six months
- partial disqualification from Medicare in 11 cases for between 3 months and 12 months
- repayment of Medicare benefits in 24 cases, ranging from \$1,948.55 to \$332,629.60 (totalling \$2,616,107.00).

The Determining Authority took an average of 13 days (compared with 16 in 2013–14) against a legislated timeframe of one month to ratify 21 negotiated agreements, with 19 negotiated agreements becoming effective (Table 1). The Determining Authority refused to ratify four negotiated agreements.

Re-referrals

In 2014–15, DHS made 11 requests to PSR to review practitioners who had previously been referred to, and reviewed, by PSR, and had an effective negotiated agreement or determination. At 30 June 2015, eight of these cases were still under review, and three had been dismissed under s. 91 of the Act. PSR continues to work with DHS to analyse the claiming behaviour of practitioners whose practice continues to cause concern after they have been through the PSR process.

Referrals to medical boards and other bodies

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

In 2014–15, the Director made five referrals of practitioners to the Australian Health Practitioner Regulation Agency, medical boards or other bodies.

External review of actions

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

One action involving a PSR matter was commenced towards the end of 2014–15 in the Federal Court. That action was the only matter outstanding at the end of 2014–15. No decisions were made by any court in relation to PSR matters in 2014–15.

Table 3: PSR quantitative deliverables, 2014–15

Quantitative indicators and deliverables	2014–15 budget	2014–15 actual
Protect against inappropriate health care practice		
Percentage of reviews by Director of PSR finalised within 12 months	100%	100%
Number of committees established	20	12
Total number of matters finalised ^a	50	38
Percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient was identified	100%	100%
Total PSR actions upheld by courts after appeal	100%	Not applicable ^b

^a This figure includes no further actions under s. 91 of the Act, negotiated agreements under s. 92 of the Act and final determinations resulting from a committee hearing. The figure excludes cases that have lapsed under s. 94.

^b No court decisions relating to PSR matters were made during the year.

Performance against Portfolio Budget Statements 2014–15

Key performance indicators

The quantitative key performance indicators specified for PSR in the Portfolio Budget Statements 2014–15 were the percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient was identified, and the total PSR actions upheld by the courts after appeal.

PSR achieved its target of 100% for both key performance indicators (Table 3).

In 2015–16, PSR will further strengthen the deterrent effect of the PSR Scheme by continuing to refer cases of practitioners who may pose a threat to life or health of a patient to regulatory bodies for further action.

Quantitative deliverables

PSR continued to action referrals from DHS during 2014–15, completing 38 matters.

Director's comments

Medicare and PSR Scheme

Medicare, Australia's universal, compulsory, monopoly, tax-funded medical insurance system, was established in 1984. The scheme is administered and financed by the Australian Government. In 2013–14, Medicare paid subsidies of \$19 billion for 360 million medical services for the Australian population of 23 million people.

Subsidies are based on around 5,000 services and fees listed in the MBS. The total costs and total number of services provided have grown recently by around 3–4% per year.

The Australian Government has established a major review of all items in the MBS and a review of financing arrangements for primary care, including general practice. The government has also indicated that it wishes to review compliance by practitioners with Medicare rules and regulations. It is useful to consider aspects of PSR in the context of these reviews.

DHS administers Medicare and undertakes a range of processes for ensuring compliance with MBS requirements. These include random audit activities that check practice administration and other records, to confirm that particular services were provided. DHS also has an investigation arm that deals with suspicions or reports of more serious, explicit fraud.

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

PSR was established in 1994 and provides for peer review committees to assess concerns of inappropriate practice. The focus of the work of PSR is on the challenging conceptual issue of inappropriate practice under Medicare. This includes assessing such concerns as suspected overservicing (extremely high numbers of services provided by a practitioner, suspected unnecessary care, high referral rates compared with other practitioners for pathology and diagnostic imaging tests), and unusual or atypical patterns of practice.

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

PSR deals largely with community-based general practice and specialty practice outside hospitals. In Australia, clinical audit and similar processes are more developed within hospital settings.

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

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

Inappropriate practice is defined in the legislation:

A practitioner engages in inappropriate practice if the practitioner's conduct in connection with rendering or initiating services is such that a Committee could reasonably conclude that:

- a. if the practitioner rendered or initiated the services as a general practitioner—the conduct would be unacceptable to the general body of general practitioners; or*
- b. if the practitioner rendered or initiated the services as a specialist in a particular specialty—the conduct would be unacceptable to the general body of specialists in that specialty.*

Since PSR was established in 1994, a range of developments have complicated the assessment of suspected inappropriate practice, for both Medicare staff and PSR peer review committees. These developments include the following:

- 1. Electronic health records are now widely used. A typical challenge for a PSR committee in the early 1990s was deciphering a few lines or words of illegible scribble in a clinical record. In 2015, a PSR committee is often confronted by clinical records containing copious computer-generated 'template' entries, often with a detailed history and examination for each body system, listing clinical findings that may (or may not) have been elicited by the practitioner under review. Clinical records may also*

include entries that do not seem relevant to the patient concerns or conditions being assessed.

2. *The list of nonprocedural MBS services attracting payment has moved beyond straightforward 'attendance' services based largely on face-to-face time. The MBS now includes complex services for chronic disease management, items for detailed 'health assessments' and complex services for managing mental health problems. These MBS items have been developed to reflect changing patterns of illness across the community, including a growing prevalence of chronic illness, and the recognition of a high prevalence of mental illness. The MBS items and their associated rules are necessarily somewhat prescriptive. This provides scope for less scrupulous practitioners to populate the clinical record of an attendance with copious 'generic' computer template material; PSR committees often find that these are of little apparent relevance to the particular patient.*
3. *In community-based care, especially for patients with chronic conditions, modern health care is often provided by several practitioners. For example, a person with diabetes may regularly attend a GP, occasionally visit a specialist endocrinologist, and also receive regular care from allied health practitioners such as an optometrist, dietician and podiatrist. Looking at the provision of services by just one practitioner may provide a limited picture.*
4. *Because of technical developments in medical science and personal choice, increasing numbers of doctors, specialists and GPs focus their practice on a specific interest—that is, they 'subspecialise'. For example, on the RACGP website, the list of 'endorsed networks and working groups' covers 22 areas of specific interests. The Medical Board of Australia recognises 16 specialty areas within adult consultant physician practice and*

21 areas of specialty practice within paediatrics. One consequence for PSR is that it can be a challenge defining who a practitioner's peers are.

5. *A related emerging issue noted by PSR is that some practitioners with a narrow area of practice, within both general practice and some specialties, claim that their narrow range of work enables them to develop a very efficient practice, often through employment of assistants trained to undertake routine aspects of patient management under supervision. They claim that such efficient processes are more difficult to develop in a more traditional setting, where the practitioner works alone to provide a broad range of services. This is offered as the explanation for providing high numbers of specific services.*
6. *In the past decade, there has been an accelerating consolidation into larger practices; this applies particularly to general (primary) practice, and to some extent to specialist practice. This trend has been driven by factors such as the significant capital costs of establishing a modern practice, lifestyle choices (with many doctors preferring to work part time) and increasing numbers of women in the medical workforce. The administrative data received by PSR from DHS is built around the services provided by an individual practitioner, whereas a patient may receive care from several practitioners in the same practice during a given year.*

Australia's MBS payment system is adapting to these and other developments with regard to its capacity to provide information to assess a practitioner's pattern of practice. However, the data generated by DHS in regard to a practitioner referred to PSR still largely represent the solo-practitioner arrangement of Australian medical practice that was common in the 1970s and 1980s, when the MBS and payment arrangements were developed.

For example, PSR receives from DHS a considerable amount of very useful data about a practitioner's Medicare billing for the year under review, covering all MBS services initiated, prescriptions provided under the PBS, and ordering of pathology and diagnostic services. However, the system cannot readily provide information on other services that patients have received from other practitioners in the same practice, services received at other general practices, or referral patterns to particular specialists and allied health practitioners.

As part of the government's review of the MBS and MBS compliance measures, it is anticipated that consideration will be given to how additional information might be gathered as a by-product of the Medicare payment system, to better detect and define possible inappropriate practice in the existing environment, which is somewhat more complex than in 1994 when PSR was developed.

Practitioners referred to PSR in 2014–15

No allied health practitioners or optometrists were referred to PSR by DHS in 2014–15. The 62 medical practitioners referred included 5 women. Thirty overseas-trained doctors were referred, comprising 48.5% of those referred. Often, overseas-trained doctors who are referred have been practising in Australia for only a short time, typically a few years. This raises the question of whether a policy response is required—for example, education relating to billing, and the appropriate use of the MBS and Medicare arrangements more generally.

MBS Chronic Disease Management items

PSR reported in 2013–14 that many referrals to PSR from DHS (Medicare) were in respect of GPs' use of MBS Chronic Disease Management (CDM) items and MBS Health Assessment items. This trend has accelerated in 2014–15.

Many practitioners who provide high numbers of these services use computer-generated templates; a plan may have minimal content specific to the patient for whom the plan has been prepared. For example, a combined GP Management Plan/Team Care Arrangement document reviewed by a PSR GP consultant had no information directly relevant to the patient other than the notation 'whiplash' and referral to a physiotherapist for five MBS-subsidised visits. The plan also had two pages of generic health advice, most of which did not appear relevant to any other condition listed in the patient's clinical record. A GP Management Plan (item 721) currently attracts an MBS fee of \$144.25 and a Team Care Arrangement (item 723) \$114.30.

MBS support for a Team Care Arrangement is meant to support provision of allied health care from practitioners such as physiotherapists and dieticians, when the contribution and aims of such care have been discussed and agreed by the GP and relevant allied health practitioners. However, rather than initiating such services as part of a necessary Team Care Arrangement, some GPs claim that they are induced to prepare CDM paperwork by patients seeking Medicare rebates for allied health services. For PSR, the situation can appear more uncertain when, as is becoming more common, allied health practitioners rent rooms within GP practices.

Department of Health advice to GPs makes clear that:

The chronic disease care planning process is not simply a mechanism to provide Medicare rebates for allied health services. The CDM items were developed to provide GPs with a structured way of managing a wide range of chronic medical conditions and to assist them to plan and coordinate the care of patients with multidisciplinary care needs. Care planning can be used as a tool for organising the care a patient needs and help reduce the need for ad hoc, episodic consultations. A care plan is a useful mechanism for recording comprehensive, accurate and up-to-date information about the patient's condition and all of the treatment they are receiving. www.health.gov.au/internet/main/publishing.nsf/Content/mbsprimarycare-chronicdiseasemanagement-qanda#must

PSR has discussed with Department of Health officials the compliance issues that regularly arise with CDM items. The appropriate use of these MBS items is being reviewed as part of the review of primary care recently announced by the Minister for Health.

Larger general practices

A practical consequence for PSR of the trend towards larger practices relates to the concept of a patient's 'usual GP'. Formal advice to GPs on use of the MBS CDM items recognises that patients visiting large practices that engage many GPs may see several GPs during a year. However, PSR committees frequently find that some practitioners in large practices provide CDM services opportunistically. This is particularly evident in practices that do not take appointments. A typical example is that of a patient who attends the practice for an acute, relatively straightforward condition. The GP they see, who they have never attended before, decides that the patient meets the somewhat broad criteria for use

of CDM items, and proceeds to prepare a GP Management Plan and Team Care Arrangement. A visit that might have attracted an MBS payment for a standard attendance of around \$40 turns into a visit attracting total MBS payments of around \$250. More importantly, PSR committees often find that, in these circumstances, the basic policy aims of the MBS CDM program—to support patients with significant chronic illness whose GP arranges, coordinates and monitors ongoing care—can be undermined rather than supported.

Most large practices engage GPs on a revenue-sharing basis rather than as salaried employees. Contracted GPs receive a percentage of income generated. An emerging issue is the extent to which the practice owner is responsible for ensuring that contracted practitioners do not engage in inappropriate practice. Section 82(2) of the Act provides for a finding of inappropriate practice against 'an officer of a body corporate' who 'knowingly, recklessly or negligently' permits a practitioner 'to engage in conduct that constitutes inappropriate practice'. To date, no officers of bodies corporate have been referred to PSR for review.

This issue was highlighted during 2014–15 when two overseas-trained doctors, recently arrived in Australia, were referred to PSR; both had been practising in the same large practice. Both had provided around 18,000 services under Medicare during the year (putting them in the 99th percentile when compared with all GPs) and both were '80/20' referrals (see '80/20 rule', below). Each practitioner had provided well over 1,000 MBS CDM items, and one had provided almost 1,000 GP Management Plans. In initial submissions, both claimed that the only induction they had received when they began at the practice was a brief introduction to the practice's information technology (IT) record system by reception staff, and a list of

frequently used MBS items and fees. There were claims that often, in the large, busy practice (which did not take appointments), inadequate numbers of administrative staff were on duty to ensure that documents were scanned into the record system, and inadequate nursing staff were available to assist with patient assessments. One of the practitioners claimed that, after a few weeks at the practice, he was visited by senior staff from the company that owned the facility, who told him that he was 'well behind' other doctors in income generated and advising him to 'do more care plans if he thought patients were eligible'.

Skin cancer practitioners

During 2014–15, PSR devoted considerable time and effort to understanding the practice patterns of a number of GPs referred by DHS (Medicare) who practise exclusively in the area of skin cancer medicine.

A feature that stood out in the data supplied by Medicare with these referrals was the wide variability in basic Medicare claiming patterns. Variability was seen in the number of individual patients seen in a year, the number of services provided in the year, the number of services over the year per patient seen, and the spectrum of MBS items (such as ablative techniques and surgical excision) typically used by a practitioner. As well, the practitioners showed wide variability in their pattern of use of MBS attendance items, as seen in the following examples:

- One practitioner who saw more than 7,000 patients, to whom more than 22,000 services were provided (about three services per patient), in the year reviewed by PSR used MBS Item 30195 extensively (for '... electrosurgical destruction, simple curettage ...'). Total MBS rebates claimed were around \$1 million.

- Another practitioner saw around 2,500 patients in the year reviewed, provided around 17,000 services (just over seven services per patient), and used many less complex MBS excision items, resulting in total MBS rebates for the year of around \$1.2 million.
- A third practitioner provided almost 6,000 services to around 450 patients (more than 13 services per patient) and often used several more complex MBS excision items, which led to total rebates of around \$800,000.

Several PSR peer review committees have been established to assess the practice of GPs practising exclusively in the area of skin cancer medicine. It is a complex matter. Although skin cancer medicine is not a formal specialty recognised by the Australian Medical Council or the Medical Board of Australia, many doctors practising skin cancer medicine obtain formal qualifications through organisations such as the University of Queensland. Many provide services in regions of Australia where patient access to specialist dermatologists and plastic surgeons is limited.

The MBS items and regulations for skin cancer treatments are very complex: MBS payments vary by lesion size, the treatment modality used, the region of the body from which the lesion is removed, the histological diagnosis and whether skin flaps are created to assist closure after excision. PSR committees find that there are many 'grey areas' in assessing whether practice has been inappropriate.

PSR has had several discussions regarding MBS skin cancer items with Department of Health officials involved in an extensive ongoing review of the MBS items for management of skin conditions.

80/20 rule

Under MBS regulations, a GP is deemed to have engaged in inappropriate practice if, on each of 20 days in the previous year, they billed Medicare for at least 80 MBS Attendance items. MBS Procedural items and Department of Veterans' Affairs services are not included.

In 2014–15, DHS (Medicare) referred eleven 80/20 matters to PSR—about 15% of all referrals. (GPs may also be referred to PSR for high-volume practice that does not quite reach the 80/20 criteria.)

During a year, a typical 80/20 GP provides around 17,000–20,000 services, leading to gross Medicare rebates (before practice costs) of around \$800,000–1,000,000.

Patterns are seen among 80/20 referrals—for example:

- an older, solo, long-established GP with a stable patient population and a high average services:patient ratio when compared with all GPs; their average number of services per patient in a year is often around 7–8, with elderly patients often having much higher rates
- a younger GP in a large extended-hours practice in the outer suburbs whose services:patient ratio is between 1 and 2; patients may have attended other GPs in the practice, especially in clinics that do not take appointments.

GPs referred to PSR under the 80/20 rule offer diverse explanations:

- They work very long hours.
- They know all their patients well and can see them quickly.
- In bigger clinics, management has not engaged enough GPs to meet endless demand.

- Nobody alerted them to the 80/20 rule.
- Nobody told them that 80 is the number of Attendance items claimed, not the number of patients seen.
- Practice staff 'batched' claims, and the 80/20 breach is an artefact.
- They have developed efficient processes with nurses for providing CDM services.
- They have an 'area of need' provider number and are locked into the practice, and management demands that they work long hours.

Many 80/20 GPs prepare large numbers of CDM items. One GP who provided 20,000 services in the year also provided almost 600 GP Management Plans, 400 Team Care Arrangements and more than 1,000 Item 2713 mental health services. Item 2713 has a minimum 20-minute time requirement. PSR committees often find that GP Management Plans prepared in such circumstances are not a useful framework for long-term monitoring and management of the patient's chronic conditions.

All the attendances provided on 80/20 days are deemed to be inappropriate practice, and the GP is liable for repayment of all MBS benefits for these services. In recent cases, the number of days on which 80 or more Attendance items were provided ranged from 20 to 75 days. The total MBS rebates therefore deemed inappropriate ranged from around \$100,000 to \$350,000. A peer review committee may decide that other aspects of the GP's practice also represent inappropriate practice, so total repayments can be higher.

The Act provides a defence if the GP can demonstrate that 'exceptional circumstances' applied.

Dental practitioners

The Chronic Disease Dental Scheme ceased in December 2012. Six dentists were referred to PSR with regard to their MBS claiming under the scheme. Five of these matters have completed the first two stages of the PSR process: the Director's Review and the PSR committee or s. 92 option. One is with a committee, and two matters remain before the Determining Authority. No dentists were referred to PSR in 2014–15.

Legal issues

An adverse finding at PSR can have significant implications for a practitioner, including substantial repayments, disqualification from the Medicare arrangements and adverse publicity. Most practitioners have a lawyer involved in negotiations, and lawyers usually accompany the practitioner during a peer review committee hearing. The PSR Scheme has been the subject of many legal appeals on administrative process grounds, and PSR has evolved into a 'legalistic' system for assessing the practice of very extreme outliers. A PSR peer review committee hearing typically lasts 4–5 days.

As an example of the legal issues that can confront PSR, in 2014–15, lawyers for two practitioners questioned the appointment of particular practitioners to PSR committees on the grounds of possible bias. One of the claims was based on comments made by an experienced PSR Panel member in a submission to the 2011 Senate Community Affairs Reference Committee inquiry into PSR (see below). The other concerned a PSR Panel member who had also been a member of the state medical board. Several years earlier, the medical board had imposed conditions on the practitioner's registration; the lawyer suggested that this may have led the proposed PSR committee member to have biased views regarding the practitioner under review.

In October 2011, the *Review of the Professional Services Review (PSR) Scheme* by the Senate Community Affairs Reference Committee was tabled in parliament. The Senate Committee noted concerns expressed by the medical defence organisation MDA National that 'consideration should be given to having the PSR committees chaired by a legally qualified person with experience in administrative review proceedings'. Another medical defence organisation, Avant, made a similar proposal.

However, the Senate Committee was not persuaded that chairs required legal qualifications, and strongly supported the concept that the committee members be peers of the practitioner under review, noting 'that all submitters appear to support the PSR process: that it is a peer review scheme, not a court' (Section 4.29, final Senate Committee report).

Nevertheless, PSR has taken note of the issue raised by MDA National, and considerable effort and resources have gone into providing committees with expert legal assistance throughout the process. PSR has engaged, on a full-time basis, both a General Counsel and a Corporate Solicitor. In addition, it uses the services of a major law firm to engage other expert administrative lawyers to assist in its work and in training PSR Panel members.

PSR's General Counsel attends committee hearings to help the committee understand the law and ensure that the practitioner under review receives a fair hearing. PSR seeks to ensure that any concerns a committee might have regarding a practitioner's conduct are clearly raised in the hearing so that the practitioner has a real opportunity to give evidence that addresses these concerns.

PSR's Corporate Solicitor oversees the teams responsible for managing cases throughout the PSR process. The involvement of PSR lawyers at all stages enables the legal advisers

who assist practitioners referred to PSR to more effectively engage with PSR to ensure that the process runs efficiently and fairly.

Although legal challenges are unlikely to be eliminated, PSR is confident that practitioners who come before PSR will find the process fair and reasonable.

Other initiatives under development by PSR

- At internal PSR planning meetings, mishaps around the management and control of individual patient clinical records are identified as the most important corporate risks arising from PSR's activities. During 2014–15, PSR reviewed all aspects of how it requests, transports, receives, stores, monitors access to, and returns (to practices) clinical records. The aim of this review has been to build in processes and checks to ensure that inappropriate access to clinical records never occurs.
- A major internal structural change was developed during 2014–15 and is being implemented (from July 2015), as part of PSR's efforts to improve the legal robustness of its processes. The change involves the engagement of legally qualified staff to run two PSR case management groups. This has led to reconsideration of staff requirements across the whole case management unit.
- The PSR process is inherently drawn out, given the multiple steps laid out in the Act. However, initiatives are being developed to speed up processes that are within PSR's direct control. One area is the preparation of draft reports of committee hearings.
- Considerable effort continues into updating PSR's Case Management System. Records from previous years are being included. This system provides the core record of PSR's case activities and ensures that all steps required under the legislation are followed as cases are managed. PSR now

has an improved ability to report on its activities.

Communications

Several articles by the PSR Director were published during 2014–15 in *Australian Doctor* and *Medical Observer*. An article in *Australian Doctor* on PSR's recent experience with 80/20 matters generated considerable feedback and commentary. An article prepared by PSR on initiatives to strengthen PSR's legal process was published in the MDA National newsletter.

During 2014–15, the Director addressed the annual national meeting of medical advisers and staff from the Medical Indemnity Protection Society. The Director also addressed an educational meeting of Melbourne's Avant staff; this meeting was also attended by lawyers who frequently act for practitioners involved in PSR reviews. The Director addressed the annual conference of the Skin Cancer College Australasia and attended the 2015 AMA National Conference.

Senior PSR staff meet with DHS (Medicare) staff every eight weeks to review cases, trends and other issues. PSR also meets quarterly with Department of Health officers.

Management and accountability

Structure and organisation

The Director of PSR is an independent statutory officer appointed by the Minister for Health under s. 83 of the Act. PSR is an agency for the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and the Director is prescribed as the agency's chief executive.

During 2014–15, Dr Bill Coote continued in his role as PSR Director. Dr Coote was first appointed by the Minister for Health in an acting capacity, with agreement from the AMA, on 14 August 2011. He was substantively

appointed by the Minister for Health on a full-time basis on 14 November 2011 for a three-year period, which was extended for a further 12 months on 14 November 2014.

Corporate governance and business planning

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

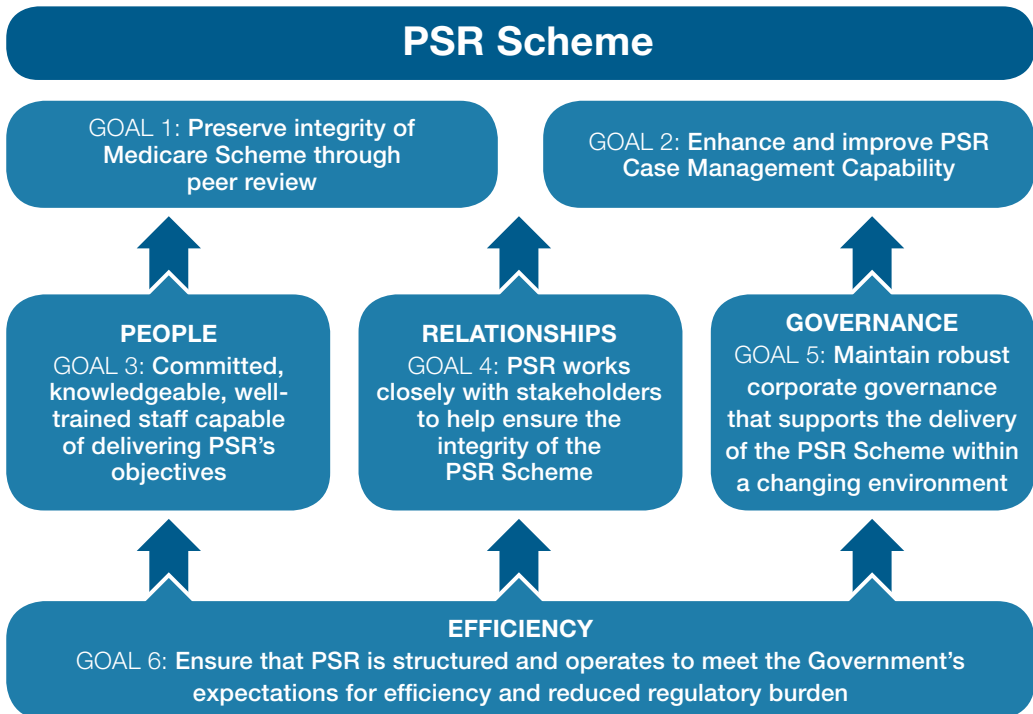
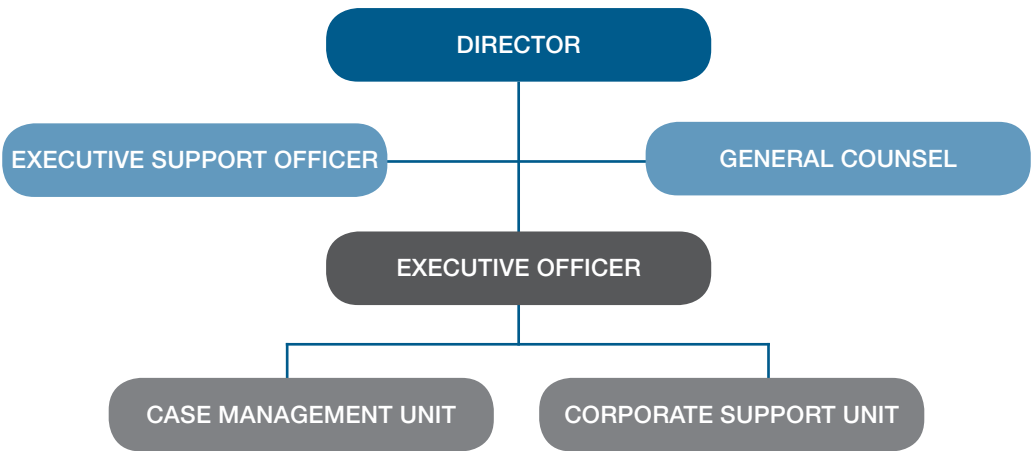


Figure 1: PSR organisational chart, 2014–15



In 2014–15, PSR further reviewed its business plan and organisational structure. The review focused on the structure and capability of the Case Management Team, and the agency’s transition to shared-services arrangements with the Department of Health.

To assist with this process, PSR engaged external consultants Noetic to review the agency’s business plan and organisational structure. This involved significant staff consultation, including whole-of-agency workshops and focus groups with individual business units within the agency.

The new PSR Corporate Plan 2015–16 identifies six goals, as shown in the figure on page 16.

The PSR Corporate Plan is publicly available on the PSR website (www.psr.gov.au). During 2015–16, PSR will use this plan as a basis for the development of a new performance reporting framework.

The agency’s current structure was implemented in July 2013 (Figure 1). This structure provides for:

- a Case Management Unit, which manages the increasing number of referrals from DHS and a resulting increase in the number of committee hearings held
- an integrated Corporate Support Unit that reports to the Chief Finance Officer and is responsible for human resources, security and property management, finance, and IT and information management
- an Executive Support Officer, who supports the Director and Executive Officer, and coordinates communications, media and parliamentary functions
- the role of General Counsel providing internal legal advice.

As a result of the Noetic review, some changes to the agency’s structure will be implemented in the first half of the 2015–16 financial year. In particular, the legal capacity within the Case Management Team will be increased.

Portfolio shared services

During 2014–15, PSR began the transition of a range of corporate support services to the Department of Health under the portfolio shared-services arrangements. In particular, PSR prepared for the transition of human resources and payroll services to the Department, with commencement planned for the first pay period of the 2015–16 financial year.

Because 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 under the portfolio shared-services arrangements helps PSR to manage a range of infrastructure support functions cost-effectively. PSR will continue to make the transition to shared-services arrangements during the 2015–16 financial year with finance processing being the next service to move across to the Department of Health.

In addition, PSR accesses 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; the General Counsel; the Corporate Solicitor, who is also the manager of the Case Management Unit; and the Chief Finance Officer. The team has a regular meeting twice each month and meets as required at other times.

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

Standing agenda items at Executive Management Team meetings include reports from the Director, the Executive Officer and the Chief Finance Officer; reports on risk management, internal audit, procurement and contracting, human resources, and workplace health and safety, including leave liability; and a report from the Information and Communications Technology and Information Management Project Governance committee.

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

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

Identifying and managing risk

During 2014–15, PSR again worked with consultants KPMG 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 and risk assessment. 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, and the chair and independent member of the PSR Audit Committee. One of the tasks of the Risk Management Workshop is to review the PSR Risk Management Plan. The Risk Management Workshop also provides an opportunity for the agency to consider any risks or compliance issues in the context of developing the PSR 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, KPMG worked with PSR to review its Risk Management Improvement Report. This report 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 KPMG 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, as well as an indicative 'roadmap' to support the development of a detailed Risk Management Improvement Plan.

The improvement priorities identified include:

- reviewing policy documents
- streamlining risk monitoring and reporting
- more effectively linking risk management and business planning
- ensuring staff engagement
- outsourcing risk management advice or related services where appropriate—this is the approach PSR has taken with a range of Protective Security Policy Framework compliance activities.

The risk assessment was also used to prepare the PSR Internal Audit Plan. The Internal Audit Plan includes provision for additional audits should circumstances change during the year. The preparation of the risk assessment

is based on a methodology that recognises inherent risk and control effectiveness.

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

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

Fraud control

The PSR Fraud Control Plan was developed to ensure that PSR has effective systems and processes in place to manage its fraud risks. The plan complies with the Commonwealth Fraud Control 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 for meetings of both the PSR Executive Management Team and the Audit Committee.

During 2014–15, there were no reported incidents of fraud.

External scrutiny

PSR was not subject to any other external reviews during 2014–15.

Audit Committee

The Audit Committee is established by the PSR Director under s. 45(1) of the PGPA Act. It provides independent advice on the agency's governance arrangements, risk management framework, internal control and compliance framework, and financial statement responsibilities.

At the beginning of the 2013–14 financial year, KPMG was appointed as the internal auditors for PSR for three years.

The PSR Audit Committee consists of an independent chair, an independent member and the agency's Executive Officer. In 2014–15, Ms Gayle Ginnane was the independent chair and Ms Diane Fielding was the independent member. Participating observers include representatives from the Australian National Audit Office and KPMG.

In 2014–15, the Audit Committee met on four occasions. In addition, the chair reported regularly to the PSR Director.

During the course of the year, the PSR Audit Plan included a range of audits that focused on governance and internal controls. Phases 1 and 2 of the Key Financial Controls audits were completed. A security risk assessment was undertaken, and a Security Risk Assessment Workshop involving the whole staff group was held. As a result, the agency has invested considerable time in reviewing the use of secure portals to give PSR committee members and Determining Authority members secure access to PSR records.

A gap analysis of business continuity management was undertaken, and significant work has been completed in relation to both business continuity management and disaster recovery. Audits have also been undertaken in relation to compliance with the PGPA Act; IT general controls; and travel, procurement and credit cards.

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 consistent processes to arrive at justifiable decisions
- delivering an effective and impartial PSR Scheme
- explaining the process to stakeholders.

To PSR, being **transparent** means:

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

To PSR, being **professional** means:

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

Table 4: PSR Australian Public Service staff, 30 June 2015

Classification	Gender		Employment category		Employment status		Total
	Male	Female	Ongoing	Non-ongoing	Full time	Part time	
SES Band 1	0	1	1	0	1	0	1
EL 2	3	1	4	0	4	0	4
EL 1	1	2	3	0	3	0	3
APS 6	1	2	3	0	2	1	3
APS 5	0	4	4	0	1	3	4
APS 4	1	0	1	0	1	0	1
APS 3	1	0	1	0	1	0	1
Total	7	10	17	0	13	4	17

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

Table 5: Actual PSR staff numbers, 30 June 2014 and 2015

	2014	2015
Full-time equivalent	15.41	15.78
Average staffing level	18	17

Management of human resources

During 2014–15, PSR commenced negotiations with staff in relation to a new enterprise agreement. In common with other departments and agencies across government, PSR has been required to streamline the content of its enterprise agreement, and to develop a business case that sets out productivity gains and savings to underpin a remuneration increase. These negotiations are still in progress. PSR hopes to finalise the new enterprise agreement during 2015–16.

As a result of the negotiations for the enterprise agreement, PSR has also reviewed its human resource policies and guidelines to ensure that they are clear and transparent for staff, are consistent with the proposed enterprise agreement, and appropriately reflect the rights and obligations of PSR employees.

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.

PSR is committed to developing and maintaining a culture that encourages and supports all employees in raising concerns about unacceptable behaviour, is free from bullying and harassment, and provides protection to employees who report instances of suspected breaches of the Code of Conduct from discrimination or victimisation. Agency procedures for managing alleged breaches of the Code of Conduct set out how allegations will be managed; these procedures are available to all employees via the PSR intranet.

Table 6: PSR salary ranges, 1 July 2014

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

APS = Australian Public Service; EL = Executive Level

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

Table 7: PSR Panel members

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

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 2015, PSR employed 17 APS staff members, including staff on long-term leave and secondment. Although PSR is a small agency, it has a number of EL 2—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 4 and 5 provide details of staff numbers. They include staff on temporary transfer to PSR from another government agency and on secondment from PSR to another government agency, as well as staff on long-term leave.

There were no PSR employees who did not speak English as their first language; 35% had parents who did not speak English as their first language. PSR had no employees who identified as Aboriginal or Torres Strait Islander, or employees with an identified disability.

During 2014–15, PSR recruited two ongoing employees. Three employees left PSR through resignation, retirement, and transfer or contract expiry.

Enterprise agreement and Australian Workplace Agreements

At 30 June 2015, the pay and conditions of all APS employees, including those at Executive Level, were governed by the PSR Enterprise Agreement 2012–14. The pay and conditions of PSR's Senior Executive Service (SES) officer were governed by an SES employment policy and contract. Table 6 lists PSR salary ranges for each classification.

Non-salary benefits

PSR provided non-salary benefits to attract and retain capable staff. In 2014–15, benefits included:

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

Holders of full-time and part-time public office

The Director of PSR is a holder of full-time public office whose remuneration and allowances are set annually by the Remuneration Tribunal.

The Remuneration Tribunal sets the remuneration and allowances for appointed PSR Panel members and Determining Authority members on an annual basis.

Panel members and deputy directors who are appointed to specific PSR committees are paid in accordance with the Remuneration Tribunal rates and allowances.

Table 7 shows PSR Panel membership by practice location and gender.

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 2014–15, including external courses and workshops in areas including leadership and management, work health and safety, law, risk, and records management. All employees attended courses on work health and safety matters as mandatory training. In 2013–14, to ensure that staff were properly supported to take on broader roles and were given appropriate development opportunities, PSR engaged consultants Noetic to undertake a training needs analysis involving all staff. The analysis provided individual assessment of training needs. During 2014–15, PSR has continued to implement the recommendations from the training needs analysis.

PSR allocates a portion of its annual salary 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 2014–15, including:

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

- providing training for an additional first aid officer
- appointing a new fire warden and an additional workplace harassment contact officer.

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

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 and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports is available on the website of the Australian Government Department of Social Services (www.dss.gov.au).

Finance

PSR's departmental appropriation budget for 2014–15 was \$5,742,000, which includes \$54,000 for the Departmental Capital Budget.

The agency's 2014–15 departmental expenses were \$5,715,285 (excluding GST).

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

Purchasing

In 2014–15, PSR sourced goods and services in accordance with the principles set out in the Commonwealth Procurement Rules (available at www.finance.gov.au).

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

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

PSR has outsourced all air travel bookings. As part of service delivery arrangements with the provider, PSR requires 'best fare of the day' when procuring air travel for all PSR employees and part-time office holders.

Asset management

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

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 in the agency's decision making.

Before engaging consultants, PSR takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and related Rules, including the Commonwealth Procurement Rules.

During 2014–15, PSR entered into nine new consultancy contracts under s. 90 of the *Health Insurance Act 1973*, with a total value of \$78,932 (excluding GST), to assist the

performance of the functions, duties and powers of the Director. In addition, PSR incurred further expenditure of \$164,159 (excluding GST) in relation to two new consultancy contracts for the provision of legal services.

PSR spent a cumulative amount of \$389,531 (excluding GST) on consultancies during 2014–15 to assist the agency through professional, independent and expert advice.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website (www.tenders.gov.au).

Australian National Audit Office access clauses

During 2014–15, PSR had no contracts over the value of \$100,000 that did not provide for the Auditor-General to have access to the contractor's premises.

Exempt contracts

In 2014–15, PSR had no contracts over the value of \$10,000 that were exempted from being published on AusTender on the basis that to do so would disclose exempt matters under the *Freedom of Information Act 1982*.

Procurement initiatives to support small business

PSR supports small business participation in the Australian Government procurement market. Participation statistics for small and medium enterprises, and small enterprises are available on the website of the Department of Finance (www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts).

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 (www.treasury.gov.au).

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 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

No advertising campaigns or market research were undertaken during 2014–15.

Grants programs

PSR does not administer any grant 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 and encourages ecologically sustainable practices, such as paper recycling and greater reliance on electronic records in preference to paper.

Specific activities undertaken during 2014–15 to improve the agency's environmental performance and reduce electricity consumption included the removal of individual heaters, introduction of sensor light technology across the office and installation of energy-efficient light bulbs.

Publications

PSR produced one publication in 2014–15:

- *Annual report 2013–14*.

Appendices

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Appendix 1

Professional Services Review's resource statement and outcome summary 2014–15

Table 8: Resource statement 2014–15

	Actual available appropriations for 2014–15 (\$'000) (a)	Payments made 2014–15 (\$'000) (b)	Balance remaining (\$'000) (a–b)
ORDINARY ANNUAL SERVICES¹			
Departmental appropriation			
• Departmental appropriation ²	6,134	5,831	303
OTHER SERVICES			
Departmental non-operating			
• Equity injections	–	–	–
• Previous year's outputs	–	–	–
Total other services			
Total resourcing and payments	6,134	5,831	303

All figures are GST exclusive.

¹ Appropriation Acts (No. 1) 2014–15

² Includes an amount of \$0.054 million for the Departmental Capital Budget

Table 9: Resource summary, Outcome 1: A reduction of the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical Benefits Schemes

	Budget 2014–15 (\$'000) (a)	Actual expenses 2014–15 (\$'000) (b)	Variation (\$'000) (a–b)
Program 1.1: Safeguarding the integrity of the Medicare Program and Pharmaceutical Benefits Scheme			
Departmental outputs	5,688	5,715 ³	–27
Average staffing level (number)	17	17	0

³ Includes resources received free of charge

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

Schedule of commitments

Note 1: Summary of significant accounting policies

Note 2: Events after the reporting period

Note 3: Net cash appropriation arrangements

Note 4: Expenses

Note 5: Income

Note 6: Fair value measurements

Note 7: Financial assets

Note 8: Non-financial assets

Note 9: Payables

Note 10: Provisions

Note 11: Cash flow reconciliation

Note 12: Contingent assets and liabilities

Note 13: Senior management personnel remuneration

Note 14: Financial instruments

Note 15: Financial assets reconciliation

Note 16: Appropriations

Note 17: Reporting of outcomes

Note 18: Budgetary reports and explanations of major variances

Independent audit report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

I have audited the accompanying annual financial statements of the Professional Services Review for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments; and
- Notes to and forming part of the financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Accountable Authority's Responsibility for the Financial Statements

The Accountable Authority of the Professional Services Review 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 and the rules made under that Act. The Accountable Authority is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the

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Independent audit report (continued)

accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

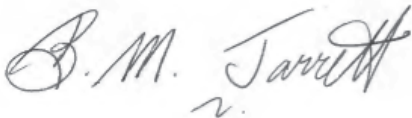
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

- (a) comply with Australian Accounting Standards 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 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

A handwritten signature in dark ink, appearing to read 'B. M. Jarrett' with a stylized flourish at the end.

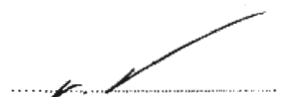
Brandon Jarrett
Executive Director

Delegate of the Auditor-General
Canberra
7 October 2015

Statement by the Accountable Authority and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2015 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.



Dr Bill Coote
Director, Accountable Authority
Professional Services Review

7 October 2015



Linnet Lee
Chief Financial Officer
Professional Services Review

7 October 2015

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2015

	Notes	2015 \$	2014 \$
NET COST OF SERVICES			
EXPENSES			
Employee benefits	4A	2,572,371	2,373,952
Supplier expenses	4B	2,967,444	2,296,070
Depreciation and amortisation	4C	164,539	153,475
Finance costs	4D	3,997	880
Write-down and impairment of assets	4E	-	37,006
Losses from asset sales	4F	6,934	-
Total expenses		5,715,285	4,861,383
OWN-SOURCE INCOME			
Own-source revenue			
Rendering of services	5A	1,713	28,473
Total own-source revenue		1,713	28,473
Gains			
Reversals of previous asset write-downs and impairments	5B	-	2,342
Other	5C	30,000	36,005
Total gains		30,000	38,347
Total own-source income		31,713	66,820
Net cost of services		5,683,572	4,794,563
Revenue from Government	5D	5,688,000	5,740,000
Surplus attributable to the Australian Government		4,428	945,437
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		-	19,883
Total other comprehensive income		-	19,883
Total comprehensive income attributable to the Australian Government		4,428	965,320

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	7A	178,925	78,925
Trade and other receivables	7B	3,141,773	7,942,423
Total financial assets		<u>3,320,698</u>	<u>8,021,348</u>
Non-Financial Assets			
Land and buildings	8A.C	176,868	261,700
Property, plant and equipment	8B.C	188,836	171,070
Intangibles	8D.E	110,959	33,430
Other	8F	37,795	36,498
Total non-financial assets		<u>514,458</u>	<u>502,698</u>
Total assets		<u>3,835,156</u>	<u>8,524,046</u>
LIABILITIES			
Payables			
Suppliers	9A	351,707	244,717
Other payables	9B	158,123	95,692
Total payables		<u>509,830</u>	<u>340,409</u>
Provisions			
Employee provisions	10A	791,658	543,936
Other provisions	10B	85,997	82,000
Total provisions		<u>877,655</u>	<u>625,936</u>
Total liabilities		<u>1,387,485</u>	<u>966,345</u>
Net assets		<u>2,447,671</u>	<u>7,557,701</u>
EQUITY			
Parent Entity Interest			
Contributed equity		849,497	1,940,000
Reserves		497,554	497,554
Retained surplus		1,100,620	5,120,147
Total parent entity interest		<u>2,447,671</u>	<u>7,557,701</u>
Total equity		<u>2,447,671</u>	<u>7,557,701</u>

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

STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2015

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	5,120,147	4,174,710	497,554	477,671	1,940,000	1,485,000	7,557,701	6,137,381
Opening balance	5,120,147	4,174,710	497,554	477,671	1,940,000	1,485,000	7,557,701	6,137,381
Comprehensive income								
Surplus (Deficit) for the period	4,428	945,437					4,428	945,437
Other comprehensive income	-	-		19,883	-	-	-	19,883
Total comprehensive income	4,428	945,437	-	19,883	-	-	4,428	965,320
Total comprehensive income attributable to Australian Government	4,428	945,437	-	-	-	-	4,428	945,437
Transactions with owners								
Distributions to owners								
Returns of capital								
Repeal of prior year appropriations ¹	(4,023,955)	-	-	-	(1,144,503)	-	(5,168,458)	-
Contributions by owners								
Departmental capital budget	-	-	-	-	54,000	455,000	54,000	455,000
Total transactions with owners	(4,023,955)	-	-	-	(1,090,503)	455,000	(5,114,458)	455,000
Closing balance as at 30 June	1,100,620	5,120,147	497,554	497,554	849,497	1,940,000	2,447,671	7,557,701
Closing balance attributable to the Australian Government	1,100,620	5,120,147	497,554	497,554	849,497	1,940,000	2,447,671	7,557,701

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

¹ The Omnibus Repeal Day (Autumn 2014) Act 2014 repealed unspent Appropriation Acts from 1 July 2010 to 30 June 2012 on 1 July 2014.

CASH FLOW STATEMENT
for the period ended 30 June 2015

	Notes	2015 \$	2014 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		5,383,666	4,585,479
Sales of goods and rendering of services		2,664	27,758
Net GST received		233,834	165,185
Total cash received		5,620,164	4,778,422
Cash used			
Employees		2,216,713	2,223,511
Suppliers		3,103,337	2,563,964
Total cash used		5,320,050	4,787,475
Net cash from (used by) operating activities	<u>11</u>	300,114	(9,053)
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		106,198	75,819
Purchase of intangibles		204,016	27,989
Total cash used		310,214	103,808
Net cash (used by) investing activities		(310,214)	(103,808)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - Departmental capital budget		110,100	95,560
Total cash received		110,100	95,560
Net cash from financing activities		110,100	95,560
Net increase (decrease) in cash held		100,000	(17,301)
Cash and cash equivalents at the beginning of the reporting period		78,925	96,226
Cash and cash equivalents at the end of the reporting period	<u>7A</u>	178,925	78,925

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

SCHEDULE OF COMMITMENTS

as at 30 June 2015

	2015	2014
BY TYPE	\$	\$
Commitments receivable		
Net GST recoverable on commitments ¹	149,186	227,436
Total commitments receivable	<u>149,186</u>	<u>227,436</u>
Commitments payable		
Capital commitments		
Intangibles ²	144,201	241,495
Total capital commitments	<u>144,201</u>	<u>241,495</u>
Other commitments		
Operating lease ³	792,659	1,171,159
Other ⁴	772,232	1,089,140
Total other commitments	<u>1,564,891</u>	<u>2,260,299</u>
Total commitments payable	<u>1,709,092</u>	<u>2,501,794</u>
Net commitments by type	<u>1,559,906</u>	<u>2,274,358</u>
BY MATURITY		
Commitments receivable		
Capital commitments		
Within 1 year	13,109	21,954
Total capital commitments	<u>13,109</u>	<u>21,954</u>
Operating lease		
Within 1 year	34,099	33,131
Between 1 to 5 years	37,961	73,338
Total operating lease	<u>72,060</u>	<u>106,469</u>
Other commitments		
Within 1 year	50,562	66,801
Between 1 to 5 years	13,364	32,212
More than 5 years	91	-
Total other commitments	<u>64,017</u>	<u>99,013</u>
Total commitments receivable	<u>149,186</u>	<u>227,436</u>

SCHEDULE OF COMMITMENTS (CONTINUED)
as at 30 June 2015

	2015	2014
	\$	\$
Commitments payable		
Capital commitments		
Within 1 year	<u>144,201</u>	<u>241,495</u>
Total capital commitments	<u>144,201</u>	<u>241,495</u>
Operating lease		
Within 1 year	<u>375,093</u>	<u>364,442</u>
Between 1 to 5 years	<u>417,566</u>	<u>806,717</u>
Total operating lease	<u>792,659</u>	<u>1,171,159</u>
Other commitments		
Within 1 year	<u>624,232</u>	<u>734,810</u>
Between 1 to 5 years	<u>147,000</u>	<u>354,330</u>
More than 5 years	<u>1,000</u>	<u>-</u>
Total other commitments	<u>772,232</u>	<u>1,089,140</u>
Total commitments payable	<u>1,709,092</u>	<u>2,501,794</u>
Net commitments by maturity	<u>1,559,906</u>	<u>2,274,358</u>

1. Commitments were GST inclusive where relevant.

2. Intangibles relate to contracts for a case management system.

3. Operating leases consist of the lease of premises and car parking at the Canberra International Airport from Canberra International Airport Pty Ltd. An eight year lease was signed in July 2009.

4. Other commitments represent provision of goods and services expenditure committed prior to 30 June 2015.

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

Notes to and forming part of the financial statements

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Professional Services Review

Professional Services Review (PSR) is an Australian Government controlled entity. The objective of PSR is to investigate suspected cases of inappropriate practice by health practitioners on request from the Department of Human Services.

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.

1.2 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) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FFR, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the contingencies note.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, PSR has not made any accounting judgements that have a significant impact on the amounts recorded in the financial statements.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period, except as disclosed in Note 1.8.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

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

AASB 1055 Budgetary Reporting

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

AASB 1055 requires:

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

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

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

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

Future Australian Accounting Standard Requirements

During the 2014-15 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.

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

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

- b) the probable economic benefits associated with the transaction will flow to the entity.

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

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Revenue from Government

Amounts appropriated for departmental appropriations for 2014-15 (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.

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.7 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Other Distributions to Owners

During 2014-15, the *Omnibus Repeal Day (Autumn 2014) Act 2014* repealed all unspent Appropriation Acts from 1 July 2010 to 30 June 2012 on 1 July 2014.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period.

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 2015. 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.

1.9 Leases

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

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

1.11 Fair Value Measurement

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

1.12 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand; and
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1.13 Financial Assets

PSR classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

All assets were assessed for impairment at 30 June 2015. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.14 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.16 Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of

restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.17 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for individual purchases costing less than \$1,000, which are expensed in the year of acquisition.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by PSR where there exists an obligation to restore the property to its original condition. These costs are included in the value of PSR's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to PSR using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
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 2015. 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.

1.18 Intangibles

PSR's intangibles comprise of purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of PSR's software are 5 to 10 years (2014: 5 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2015.

1.19 Taxation / Competitive Neutrality

PSR is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office;
and
- b) for receivables and payables.

1.20 Monitoring of Constitutional and other legal requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Notes to and forming part of the financial statements

Note 2: Events After the Reporting Period

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

Notes to and forming part of the financial statements**Note 3: Net Cash Appropriation Arrangements**

	2015	2014
	\$	\$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	168,967	1,118,795
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(164,539)</u>	<u>(153,475)</u>
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	<u>4,428</u>	<u>965,320</u>

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

Notes to and forming part of the financial statements

Note 4: Expenses

	2015	2014
	\$	\$
Note 4A: Employee Benefits		
Wages and salaries	1,780,170	1,799,557
Superannuation		
Defined contribution plans	158,388	171,619
Defined benefit plans	144,544	132,064
Leave and other entitlements	334,465	270,712
Separation and redundancies	154,804	-
Total employee benefits	2,572,371	2,373,952
Note 4B: Suppliers		
Goods and services supplied or rendered		
Legal expenses	200,638	159,558
Case related fees	426,052	542,754
Other case related expenses	342,945	401,092
Consultant fees	431,984	306,242
Contractor expenses ¹	736,767	127,110
Telephone and internet	78,901	79,169
Other expenses	312,524	277,505
Total goods and services supplied or rendered	2,529,811	1,893,430
Services rendered in connection with		
Related parties	283,483	335,265
External parties	2,246,328	1,558,165
Total services rendered	2,529,811	1,893,430
Other suppliers		
Operating lease rentals in connection with		
External parties		
Minimum lease payments	308,671	299,453
Workers compensation expenses	128,962	103,187
Total other suppliers	437,633	402,640
Total suppliers	2,967,444	2,296,070

1. Increase in contractor expenses mainly represents assistance with case related projects during the year. There were also additional legal costs which were partially included in salaries in 2014-15.

Notes to and forming part of the financial statements**Note 4: Expenses**

	2015	2014
	\$	\$
<u>Note 4C: Depreciation and Amortisation</u>		
Depreciation		
Property, plant and equipment	68,357	56,230
Buildings	84,832	78,322
Total depreciation	153,189	134,552
Amortisation		
Intangibles	11,350	18,923
Total amortisation	11,350	18,923
Total depreciation and amortisation	164,539	153,475
<u>Note 4D: Finance Costs</u>		
Unwinding of discount	3,997	880
Total finance costs	3,997	880
<u>Note 4E: Write-Down and Impairment of Assets</u>		
Asset write-downs and impairments from:		
Impairment on financial instruments	-	5,000
Impairment of property, plant and equipment	-	12,048
Revaluation decrement - property, plant and equipment	-	19,958
Total write-down and impairment of assets	-	37,006
<u>Note 4F: Losses from Asset Sales</u>		
Property, plant and equipment:		
Carrying value of assets sold	6,784	-
Selling expense	150	-
Total losses from asset sales	6,934	-

Notes to and forming part of the financial statements**Note 5: Income**

	2015	2014
	\$	\$

OWN-SOURCE REVENUE**Note 5A: Rendering of Services****Rendering of services in connection with**

Related parties	1,713	28,473
Total Rendering of services	1,713	28,473

GAINS**Note 5B: Reversals of Previous Asset Write-Downs and Impairments**

Revaluation increments	-	2,342
Total reversals of previous asset write-downs and impairments	-	2,342

Note 5C: Other Gains**Resources received free of charge**

Remuneration of Auditors	30,000	30,000
Other	-	6,005
Total other gains	30,000	36,005

REVENUE FROM GOVERNMENT**Note 5D: Revenue from Government****Appropriations**

Departmental appropriations	5,688,000	5,740,000
Total revenue from Government	5,688,000	5,740,000

Notes to and forming part of the financial statements

Note 6: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 6A: Fair Value Measurements, Valuation Techniques and Inputs Used

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2015

	Fair value measurements at the end of the reporting period using				Sensitivity of the fair value measurement to changes in unobservable inputs
	Fair value 2015 \$	Fair value 2014 \$	Category Level 1, 2 or 3 ¹	For Levels 2 and 3 fair value measurements Valuation technique(s) ¹ Range (weighted average) Inputs used	
Non-financial assets					
Leasehold improvements	176,868	261,700	3	Depreciated replacement cost	Construction costs of comparable leasehold improvements, lease term, relevant price inflation, useful life and discount rates Lease term
Other property, plant and equipment	18,723	27,350	2	Market comparables	Market buying / selling price Not required
Other property, plant and equipment	170,113	143,720	3	Depreciated replacement cost	Budget quote for similar assets new assets/ relevant price inflation, age and useful life Remaining useful life 5 – 96 months (from 2014 Valuation)
Total non-financial assets	365,704	432,770			
Total fair value measurements of assets in the statement of financial position					
	365,704	432,770			

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

1. No change in valuation technique occurred during the period

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

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

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

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

Notes to and forming part of the financial statements
Note 6: Fair Value Measurements

Note 6B: Reconciliation for Recurring Level 3 Fair Value Measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets					
	Other property, plant and equipment 2015	Leasehold improvements 2015	Total 2015	Other property, plant and equipment 2014	Leasehold improvements 2014	Total 2014
	\$	\$	\$	\$	\$	\$
Opening balance	171,070	261,700	432,770	258,876	314,478	573,354
Total gains/(losses) recognised in net cost of services ¹	(75,141)	(84,832)	(159,973)	(85,894)	(78,322)	(164,216)
Total gains/(losses) recognised in other comprehensive income ²	-	-	-	(1,912)	18,954	17,042
Purchases	92,907	-	92,907	-	6,590	6,590
Closing balance	188,836	176,868	365,704	171,070	261,700	432,770

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

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

Notes to and forming part of the financial statements

Note 7: Financial Assets

	2015	2014
	\$	\$
Note 7A: Cash and Cash Equivalents		
Cash on hand or on deposit	178,925	78,925
Total cash and cash equivalents	178,925	78,925
Note 7B: Trade and Other Receivables		
Good and services receivables in connection with		
Related parties	-	4,296
External parties	-	6,395
Total goods and services receivables	-	10,691
Appropriations receivable		
Existing programs	2,763,110	6,349,230
Departmental capital budget	348,509	1,572,513
Total appropriations receivable	3,111,619	7,921,743
Other receivables		
GST receivable from the Australian Taxation Office	30,154	9,989
Total other receivables	30,154	9,989
Total trade and other receivables (gross)	3,141,773	7,942,423
Less impairment allowance		
Goods and services	-	-
Total impairment allowance	-	-
Total trade and other receivables (net)	3,141,773	7,942,423
Trade and other receivables (net) expected to be recovered		
No more than 12 months	3,141,773	7,942,423
Total trade and other receivables (net)	3,141,773	7,942,423
Trade and other receivables (gross) aged as follows		
Not overdue	3,141,773	7,942,423
Total trade and other receivables (gross)	3,141,773	7,942,423

Reconciliation of the Impairment Allowance

Movements in relation to 2015

	Goods and services	Other receivables	Total
	\$	\$	\$
Opening balance	-	-	-
Amounts written off	-	-	-
Closing balance	-	-	-

Movements in relation to 2014

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

Notes to and forming part of the financial statements**Note 8: Non-Financial Assets**

	2015	2014
	\$	\$
<u>Note 8A: Land and Buildings</u>		
Leasehold improvements		
Fair value	261,700	261,700
Accumulated depreciation	(84,832)	-
Total leasehold improvements	<u>176,868</u>	<u>261,700</u>
Total land and buildings	<u>176,868</u>	<u>261,700</u>

Leasehold improvements were subject to revaluation in 2013-14.

The carrying amount of \$176,868 (2014: \$261,700) was included in the valuation figures above.

No indicators of impairment were found for land and buildings.

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

	2015	2014
	\$	\$
<u>Note 8B: Property, Plant and Equipment</u>		
Other property, plant and equipment		
Fair value	254,727	171,070
Accumulated depreciation	(65,891)	-
Total other property, plant and equipment	<u>188,836</u>	<u>171,070</u>
Total property, plant and equipment	<u>188,836</u>	<u>171,070</u>

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

The carrying amount of \$188,836 (2014: \$171,070) was included in the valuation figures above.

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

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1.

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

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

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

Notes to and forming part of the financial statements

Note 8: Non-Financial Assets

Note 8C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment for 2015

	Buildings	Total land buildings and equipment	Other property, plant & equipment	Total
	\$	\$	\$	\$
As at 1 July 2014				
Gross book value	261,700	261,700	171,070	432,770
Accumulated depreciation and impairment	-	-	-	-
Net book value 1 July 2015	261,700	261,700	171,070	432,770
Additions				
By purchase	-	-	92,907	92,907
Revaluations recognised in other comprehensive income	-	-	-	-
Reversal of revaluation previously recognised in other comprehensive income	-	-	-	-
Reversal of impairments recognised in net cost of services	-	-	-	-
Depreciation expense	(84,832)	(84,832)	(68,357)	(153,189)
Impairments recognised in the operating result	-	-	-	-
Disposals	-	-	-	-
Other ¹	-	-	(6,784)	(6,784)
Net book value 30 June 2015	176,868	176,868	188,836	365,704

Net book value as of 30 June 2015 represented by:

Gross book value	261,700	261,700	254,727	516,427
Accumulated depreciation and impairment	(84,832)	(84,832)	(65,891)	(150,723)
Net book value 30 June 2015	176,868	176,868	188,836	365,704

1. There were disposals during the year which had a nil net book value.

Notes to and forming part of the financial statements

Note 8: Non-Financial Assets

Note 8C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment for 2014

	Buildings	Total land and buildings	Other property, plant & equipment	Total
	\$	\$	\$	\$
As at 1 July 2013				
Gross book value	394,442	394,442	348,659	743,101
Accumulated depreciation and impairment	(79,964)	(79,964)	(89,783)	(169,747)
Net book value 1 July 2013	314,478	314,478	258,876	573,354
Additions				
By purchase - cash additions	6,590	6,590	-	6,590
Revaluations recognised in other comprehensive income	18,954	18,954	7,718	26,672
Reversal of revaluation previously recognised in other comprehensive income	-	-	(9,630)	(9,630)
Reversal of impairments recognised in net cost of services	-	-	2,342	2,342
Depreciation expense	(78,322)	(78,322)	(56,230)	(134,552)
Impairments recognised in the operating result	-	-	(19,958)	(19,958)
Disposals				
Other	-	-	(12,048)	(12,048)
Net book value 30 June 2014	261,700	261,700	171,070	432,770
Net book value as of 30 June 2014 represented by:				
Gross book value	261,700	261,700	171,070	432,770
Accumulated depreciation and impairment	-	-	-	-
Net book value 30 June 2014	261,700	261,700	171,070	432,770

Notes to and forming part of the financial statements

Note 8: Non-Financial Assets

Note 8D: Intangibles

Computer software

	2015	2014
	\$	\$
Internally developed – in progress	96,443	13,560
Internally developed – in use	208,026	215,526
Purchased	208,884	219,363
Accumulated amortisation	(402,394)	(415,019)
Total computer software	110,959	33,430
Total intangibles	110,959	33,430

Intangible assets were assessed for impairment at 30 June 2015. No indicators of impairment were found for intangible assets (2014: \$0).

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

Note 8E: Reconciliation of the Opening and Closing Balances of Intangibles for 2015

	Computer software internally developed	Computer software purchased	Total
	\$	\$	\$
As at 1 July 2014			
Gross book value	229,086	219,363	448,449
Accumulated amortisation and impairment	(212,063)	(202,956)	(415,019)
Net book value 1 July 2014	17,023	16,407	33,430
Additions			
Purchase or internally developed	82,883	5,996	88,879
Impairments recognised in the operating result	-	-	-
Amortisation	(3,463)	(7,887)	(11,350)
Disposals	-	-	-
Other ¹	-	-	-
Net book value 30 June 2015	96,443	14,516	110,959

Net book value as of 30 June 2015 represented by:

Gross book value	304,469	208,884	513,353
Accumulated amortisation and impairment	(208,026)	(194,368)	(402,394)
Net book value 30 June 2015	96,443	14,516	110,959

1. There were disposals during the year which had a nil net book value.

Notes to and forming part of the financial statements

Note 8: Non-Financial Assets

Note 8E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles for 2014.

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

	2015	2014
	\$	\$
Note 8F: Other Non-Financial Assets		
Prepayments	37,795	36,498
Total other non-financial assets	<u>37,795</u>	<u>36,498</u>
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	37,795	36,498
Total other non-financial assets	<u>37,795</u>	<u>36,498</u>

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

Notes to and forming part of the financial statements**Note 9: Payables**

	2015	2014
	\$	\$
<u>Note 9A: Suppliers</u>		
Trade creditors and accruals	326,971	214,410
Operating lease rentals	24,736	30,307
Total supplier payables	351,707	244,717
Suppliers expected to be settled		
No more than 12 months	336,659	219,982
More than 12 months	15,048	24,735
Total suppliers	351,707	244,717
Suppliers in connection with		
Related parties	5,149	3,196
External parties	346,558	241,521
Total	351,707	244,717
Settlement was usually made within 30 days.		
<u>Note 9B: Other Payables</u>		
Wages and salaries	106,038	81,802
Superannuation	11,681	13,890
Other	40,404	-
Total other payables	158,123	95,692
Other payables are expected to be settled		
No more than 12 months	158,123	95,692
Total other payables	158,123	95,692

Notes to and forming part of the financial statements

Note 10: Provisions

	2015	2014
	\$	\$
Note 10A: Employee Provisions		
Leave	636,382	543,936
Separations and redundancies	155,276	-
Total employee provisions	791,658	543,936
Employee provisions expected to be settled		
No more than 12 months	365,920	190,494
More than 12 months	425,738	353,442
Total employee provisions	791,658	543,936
Note 10B: Other Provisions		
Provision for restoration obligations	85,997	82,000
Total other provisions	85,997	82,000
Other provisions are expected to be settled in:		
More than 12 months	85,997	82,000
Total other provisions	85,997	82,000
	Provision for restoration	Total
	\$	\$
Carrying amount 1 July 2014	82,000	82,000
Amounts reversed	-	-
Unwinding of discount or change in discount rate	3,997	3,997
Closing balance 2015	85,997	85,997

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

Notes to and forming part of the financial statements**Note 11: Cash Flow Reconciliation**

	2015	2014
	\$	\$
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	178,925	78,925
Statement of financial position	178,925	78,925
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/ (used by) operating activities:		
Net cost of services	(5,683,572)	(4,794,563)
Add revenue from Government	5,688,000	5,740,000
Adjustments for non-cash items		
Depreciation / amortisation	164,539	153,475
Net write down of non-financial assets	-	37,006
Loss on disposal of assets	6,934	-
Finance costs	3,997	880
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(313,809)	(1,152,420)
(Increase) / decrease in prepayments	(1,297)	1,056
Increase / (decrease) in employee provisions	247,722	129,984
Increase / (decrease) in supplier payables	125,169	(154,293)
Increase / (decrease) in other payables	62,431	29,822
Net cash from/ (used by) operating activities	300,114	(9,053)

Notes to and forming part of the financial statements

Note 12: Contingent Assets and Liabilities

Quantifiable Contingencies

At 30 June 2015, PSR did not have any quantifiable contingencies (2014: nil).

Unquantifiable Contingencies

PSR is currently involved in a litigation case before the Federal Court. PSR has been advised by its solicitors that it is not possible to quantify amounts relating to this case. The information usually required by *AASB 137* Provisions, Contingent Liabilities and Contingent Assets is not disclosed, on the grounds that it can be expected to prejudice seriously the outcome of the litigation (2014: nil).

Significant Remote Contingencies

At 30 June 2015 PSR did not have any significant remote contingencies (2014: nil).

Notes to and forming part of the financial statements**Note 13: Senior Management Personnel Remuneration**

	2015	2014
	\$	\$
Short-term employee benefits:		
Salary	838,407	820,963
Performance bonuses	34,725	20,859
Other	98,451	93,975
Total short-term employee benefits	971,583	935,797
Post-employment benefits:		
Superannuation	131,426	121,916
Total post-employment benefits	131,426	121,916
Other long-term employee benefits:		
Annual leave	99,213	83,355
Long-service leave	43,138	26,576
Total other long-term employee benefits	142,351	109,931
Termination benefits		
Voluntary redundancy payments	-	-
Total termination benefits	-	-
Total senior executive remuneration expenses	1,245,360	1,167,644

The total number of senior management personnel that are included in the above table are 6 individuals (2014: 5 individuals).

Notes to and forming part of the financial statements

Note 14: Financial Instruments

	2015	2014
	\$	\$
<u>Note 14A: Categories of Financial Instruments</u>		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	178,925	78,925
Trade and other receivables	-	10,691
Total loans and receivables	<u>178,925</u>	<u>89,616</u>
Total financial assets	<u>178,925</u>	<u>89,616</u>
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - Suppliers	351,707	244,717
Total financial liabilities	<u>351,707</u>	<u>244,717</u>

Note 14B: Fair Value of Financial Instruments

PSR does not carry any financial instruments at fair value.

Note 14C: Credit Risk

PSR was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables 2015: \$0 (2014: \$10,691).

PSR had assessed the risk of the default on payment and had allocated \$0 in 2015 (2014: \$0) to an impairment allowance account. PSR managed its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, PSR had policies and procedures that guided employees debt recovery techniques that were to be applied.

PSR held no collateral to mitigate against credit risk.

Notes to and forming part of the financial statements

Note 14: Financial Instruments

Note 14C: Credit Risk (continued)

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2015	Not past due nor impaired 2014	Past due or impaired 2015	Past due or impaired 2014
	\$	\$	\$	\$
Cash and cash equivalents	178,925	78,925	-	-
Trade and other receivables	-	10,691	-	-
Total	178,925	89,616	-	-

Ageing of financial assets that were past due but not impaired for 2015

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Trade and other receivables	-	-	-	-	-
Total	-	-	-	-	-

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

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Trade and other receivables	-	-	-	-	-
Total	-	-	-	-	-

Notes to and forming part of the financial statements

Note 14: Financial Instruments

Note 14D: Liquidity Risk

PSR's financial liabilities are limited to payables. The exposure to liquidity risk is based on the notion that PSR will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to PSR (e.g. Advance to the Finance Minister) and internal policies and procedures that have been established to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2015

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Payables - Suppliers	\$ -	\$ 336,659	\$ 15,048	\$ -	\$ -	\$ 351,707
Total	\$ -	\$ 336,659	\$ 15,048	\$ -	\$ -	\$ 351,707

Maturities for non-derivative financial liabilities 2014

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

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

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

Note 14E: Market Risk

PSR's financial instruments are of a nature that do not expose PSR to certain market risks.

PSR is not exposed to 'Currency risk' or 'Other price risk'.

PSR has no interest bearing items on the statement of financial position.

Notes to and forming part of the financial statements**Note 15: Financial Assets Reconciliation**

		2015	2014
		\$	\$
<u>Financial assets</u>	Notes		
Total financial assets as per statement of financial position		3,320,698	8,021,348
Less: non-financial instrument components:			
Appropriations receivable	<u>7B</u>	3,111,619	7,921,743
Other receivables	<u>7B</u>	30,154	9,989
Total non-financial instrument components ¹		3,141,773	7,931,732
Total financial assets as per financial instruments note		178,925	89,616

1. In 2014, the amount of \$10,691 in trade and receivables within Note 7B was also considered a financial instrument (Note 14).

Notes to and forming part of the financial statements

Note 16: Appropriations

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

	2015 Appropriations					Appropriation applied in 2015 (current and prior years)	Variance ³	Section 51 determinations
	Appropriation Act		PGPA Act					
	Annual Appropriation ¹	AFM	Section 74	Section 75	Total appropriation			
DEPARTMENTAL								
Ordinary annual services ¹	5,742,000	-	337,536	-	6,079,536	(5,721,201)	358,335	-
Total departmental	5,742,000	-	337,536	-	6,079,536	(5,721,201)	358,335	-

Notes:

- In 2014-15, there were no appropriations that have been quarantined.
- In 2014-15, there was no adjustment that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FRR Part 6 Div 3) but at law the appropriations had not been amended before the end of the reporting period.
- Departmental Appropriations were under spent by \$358,335 and includes equity injections of \$54,000 from Appropriation Act (No.1) - Capital Budget. The variance was mainly attributable to case related activities and the number of cases referred to the Professional Services Review in 2014-15, and postponing the implementation of key ICT systems until 2014-15 which will progress throughout 2015-16.

	2014 Appropriations							Appropriation applied in 2014 (current and prior years)	Variance ⁴
	Appropriation Act		FMA Act						
	Annual Appropriation ²	AFM ³	Section 30	Section 31	Section 32	Total appropriation			
							\$		
DEPARTMENTAL									
Ordinary annual services ¹	6,196,000	-	-	135,065	-	6,331,065	(4,931,612)	1,399,453	
Total departmental	6,196,000	-	-	135,065	-	6,331,065	(4,931,612)	1,399,453	

Notes:

- Appropriations reduced under Appropriation Acts (No.1) 2013-14; sections 10, 11, and 12. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2013, there was no reduction in departmental and non-operating departmental appropriations.
- The 2013-14 appropriation revenue reported in the statement of comprehensive income includes a net reduction in appropriations of \$1,000. The appropriation will be formally reduced by the Finance Minister in 2014-15.
- There were no amounts advanced to the Finance Minister (AFM) during 2013-14 under Appropriation Acts (No.1) 2013-14; section 13.
- Departmental Appropriations were under spent by \$1,399,453 and includes equity injections of \$455,000 from Appropriation Act (No.1) - Capital Budget. The variance was mainly attributable to case related activities and the number of cases referred to the Professional Services Review in 2013-14, and postponing the implementation of key ICT systems until 2014-15.

Notes to and forming part of the financial statements

Note 16: Appropriations

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

	2015 Capital Budget Appropriations			Capital Budget Appropriations applied in 2015 (current and prior years)		
	<i>Appropriation Act</i>	<i>PGPA Act</i>	Total Capital Budget Appropriations	Payments for non-financial assets ²	Payments for other purposes	Total payments
	Annual Capital Budget	Section 75	\$	\$	\$	\$
DEPARTMENTAL						
Ordinary annual services - Departmental Capital Budget ¹	54,000	-	54,000	(110,100)	-	(110,100)
						(56,100)

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual Appropriations.

2. Payments made on non-financial assets include purchases of assets, and expenditure on assets which have been capitalised. Note that payments made on non-financial assets were greater than the departmental capital budget for the year by \$56,100, as capital expenditure in 2013-14 was delayed until 2014-15. Therefore, a proportion of the entity's departmental capital funds received in 2013-14 were spent in 2014-15.

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

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual Appropriations.

2. Payments made on non-financial assets include purchases of assets, and expenditure on assets which have been capitalised.

Notes to and forming part of the financial statements**Note 16: Appropriations****Table C: Unspent Annual Appropriations ('Recoverable GST exclusive')**

	2015	2014
Authority	\$	\$
DEPARTMENTAL		
Appropriation Act (No. 1) 2014-15 ¹	1,872,278	
Appropriation Act (No. 1) 2013-14 ¹	294,509	1,808,452
Appropriation Act (No. 1) 2012-13	945,832	945,832
Appropriation Act (No. 1) 2011-12 ²		1,245,692
Appropriation Act (No. 1) 2010-11 ²		3,922,767
Cash balance	178,925	78,925
Total	3,291,544	8,001,668

The cash balance of \$178,925 represents unspent departmental appropriation from Appropriation Act (No.1) 2014-15 (2014: \$78,925 from Appropriation Act (No.1) 2013-14). Unspent departmental appropriation also includes a departmental capital budget of \$54,000 (2014: \$428,010).

¹ The total amount for unspent departmental annual appropriations includes a reduction of \$1,000 that will be recognised in the 2015-16 Appropriation Acts.

² Unspent appropriations were no longer available to the Agency from 1 July 2014.

Notes to and forming part of the financial statements**Note 17: Reporting of Outcomes****Note 17A: Net Cost of Outcome Delivery**

	Outcome 1 ¹		Total	
	2015	2014	2015	2014
	\$	\$	\$	\$
Departmental				
Expenses	5,715,285	4,861,383	5,715,285	4,861,383
Own-source income	31,713	66,820	31,713	66,820
Net cost/(contribution) of outcome delivery	5,683,572	4,794,563	5,683,572	4,794,563

1. Outcome 1 is described in Note 1.1.

Notes to and forming part of the financial statements

Note 18: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for PSR. The Budget is not audited.

Note 18A: Departmental Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2015

	Actual	Budget estimate	
		Original ¹	Variance ²
	2015	2015	2015
	\$'000	\$'000	\$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	2,572	2,575	(3)
Suppliers	2,967	3,129	(162)
Depreciation and amortisation	165	174	(9)
Finance costs	4	-	4
Write-down and impairment of assets	-	-	-
Losses from asset sales	7	-	7
Total expenses	5,715	5,878	(163)
Own-Source Income			
Own-source revenue			
Rendering of services	2	-	2
Total own-source revenue	2	-	2
Gains			
Reversals of previous asset write-downs and impairments	-	-	-
Other gains	30	16	14
Total gains	30	16	14
Total own-source income	32	16	16
Net cost of services	5,683	5,862	(179)
Revenue from Government	5,688	5,688	-
Surplus/(Deficit) attributable to the Australian Government	5	(174)	179
	Actual	Budget estimate	
		Original ¹	Variance ²
	2015	2015	2015
	\$'000	\$'000	\$'000
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	-	-	-
Total comprehensive income	-	-	-
Total comprehensive income/(loss) attributable to the Australian Government	5	(174)	179

Notes to and forming part of the financial statements**Note 18: Budgetary Reports and Explanations of Major Variances****Note 18A: Departmental Budgetary Reports (continued)****Statement of Financial Position***as at 30 June 2015*

	Actual	Budget estimate	
		Original ¹	Variance ²
	2015	2015	2015
	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	179	96	83
Trade and other receivables	3,142	6,829	(3,687)
Total financial assets	3,321	6,925	(3,604)
Non-financial assets			
Land and buildings	177	159	18
Property, plant and equipment	189	147	42
Intangibles	111	221	(110)
Other	38	38	-
Total non-financial assets	515	565	(50)
Total assets	3,836	7,490	(3,654)
LIABILITIES			
Payables			
Suppliers	352	390	(38)
Other payables	158	66	92
Total payables	510	456	54
Provisions			
Employee provisions	792	465	327
Other provisions	86	84	2
Total provisions	878	549	329
Total liabilities	1,388	1,005	383
Net assets	2,448	6,485	(4,037)
EQUITY			
Contributed equity	849	(6,835)	7,684
Reserves	498	477	21
Retained surplus/(Accumulated deficit)	1,101	12,843	(11,742)
Total parent entity interest	2,448	6,485	(4,037)
Total equity	2,448	6,485	(4,037)

Notes to and forming part of the financial statements

Note 18: Budgetary Reports and Explanations of Major Variances

Note 18A: Departmental Budgetary Reports (continued)

**Statement of Changes in Equity
for the period ended 30 June 2015**

	Retained earnings				Asset revaluation				Contributed equity/capital				Total equity			
	Actual		Budget estimate		Actual		Budget estimate		Actual		Budget estimate		Actual		Budget estimate	
	2015 \$'000	Original ¹ 2015 \$'000	Variance ² 2015 \$'000	Variance ² 2015 \$'000	2015 \$'000	2015 \$'000	Original ¹ 2015 \$'000	Variance ² 2015 \$'000	2015 \$'000	2015 \$'000	Original ¹ 2015 \$'000	Variance ² 2015 \$'000	2015 \$'000	2015 \$'000	Original ¹ 2015 \$'000	Variance ² 2015 \$'000
Opening balance																
Balance carried forward from previous period	5,120	13,017	(7,897)		498	477	477	21	1,940	(6,889)	8,829		7,558	6,605	953	
Opening balance	5,120	13,017	(7,897)		498	477	477	21	1,940	(6,889)	8,829		7,558	6,605	953	
Comprehensive income																
Surplus/(Deficit) for the period	4	(174)	178										4	(174)	178	
Other comprehensive income																
Total comprehensive income	4	(174)	178										4	(174)	178	
Total comprehensive income attributable to Australian Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners																
Distributions to owners																
Returns of capital	(4,024)	-	(4,024)		-	-	-	-	(1,145)	-	(1,145)		(5,169)	-	(5,169)	
Repeal of prior year appropriations																
Contributions by owners																
Departmental capital budget	-	-	-	-	-	-	-	-	54	54	-	-	54	54	-	-
Total transactions with owners	(4,024)	-	(4,024)		-	-	-	-	(1,091)	54	(1,145)		(5,115)	54	(5,169)	
Closing balance as at 30 June	1,100	12,843	(11,743)		498	477	477	21	849	(6,835)	7,684		2,447	6,485	(4,038)	
Closing balance attributable to Australian Government	1,100	12,843	(11,743)		498	477	477	21	849	(6,835)	7,684		2,447	6,485	(4,038)	

Notes to and forming part of the financial statements**Note 18: Budgetary Reports and Explanations of Major Variances****Note 18A: Departmental Budgetary Reports (continued)****Cash Flow Statement***for the period ended 30 June 2015*

	Actual	Budget estimate	
		Original ¹	Variance ²
	2015	2015	2015
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	5,384	5,868	(484)
Sale of goods and rendering of services	3	-	3
Net GST received	234	342	(108)
Total cash received	5,621	6,210	(589)
Cash used			
Employees	2,217	2,575	(358)
Suppliers	3,103	3,113	(10)
Net GST paid	-	342	(342)
Section 74 receipts transferred to OPA	-	-	-
Total cash used	5,320	6,030	(710)
Net cash from/(used by) operating activities	301	180	121
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	106	234	(128)
Purchase of intangibles	204	-	204
Total cash used	310	234	76
Net cash from (or used by) investing activities	(310)	(234)	(76)
FINANCING ACTIVITIES			
Cash received			
Capital budget - Bill 1 (DCB)	110	54	56
Total cash received	110	54	56
Net cash from/(used by) financing activities	110	54	56
Net increase (or decrease) in cash held	100	-	100
Cash and cash equivalents at the beginning of the reporting period	79	96	(17)
Cash and cash equivalents at the end of the reporting period	179	96	83

1. PSR's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from PSR's 2014-15 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

Notes to and forming part of the financial statements

Note 18: Budgetary Reports and Explanations of Major Variances

Note 18B: Departmental Major Budget Variances for 2015

Explanations of major variances

Affected line items (and statement)

Cash and cash equivalents

Cash was higher than budget due to a withdrawal from the OPA of \$100K before 30 June 2015, in preparation for the first pay in 2015-16. The budget was based on the prior year cash balance.

Cash and cash equivalents (Statement of Financial Position), Net increase in cash held (Cash Flow Statement)

Trade and other receivables

Trade and other receivables decreased by \$3,687K which is represented by the Government's repeal of all Annual Appropriation Acts from 1 July 2010 to 30 June 2012 under the *Omnibus Repeal Day Act 2014*, partially offset by the drawdowns for the year.

Trade and other receivables (Statement of Financial Position), Contributed equity and Retained surplus (Statement of Changes in Equity), Cash and cash equivalents (Statement of Financial Position)

Appropriation cash received decreased by \$484K, of which was partly due to a decrease in supplier expenses.

Employees

The variance of 70% in employee provisions is mainly due to the following:

- \$50K (net) due to leave transfers from other Agencies.
- \$155K provision recognised for an employee who had been made redundant during 2014-15. The employee was paid out in early 2015-16, but the provision was booked at year end.

Employee provisions (Statement of Financial Position), Operating cash used - employees (Cash Flow Statement)

Although the FTE has not changed, the mix of the total leave provision by employee has changed significantly due to the number of entitled days and in some instances, higher salaries, increasing the total provision overall. The leave provision at 30 June 2015 is also slightly higher than budget, given discount rates used and on-costs calculated on higher salaries. Staff movements which have affected leave liability balances, and redundancy payouts were not anticipated at the time the budget was prepared.

Cash used for employees was lower than budget as \$155k in redundancies was paid out after year end. The budget also assumes a higher payout rate in wage and leave costs.

Suppliers

Supplier expenses have decreased by \$162K as it was anticipated that at the time of the budget, PSR may experience an increase in referrals during the year, leading to increased committee activity. However, committee costs were less than initially budgeted particularly in relation to legal advice where costs can increase significantly if a case is appealed in court. The budget assumes that a case may be appealed in court, of which did occur towards the end of 2014-15. Therefore, legal expenses associated with court costs were only marginal at year end.

Supplier expenses (Statement of Comprehensive Income), Supplier payables (Statement of Financial Position)

Supplier payables decreased by \$38k. At the time of budget, supplier payables were based on the prior year balance carried forward in the PBS for future years. At 30 June 2015, a combination of factors including enhanced internal administrative processes, improved planning and appropriate allocation of resources resulted in more payments made before year end.

The movement in GST is mainly in line with the cash flow for supplier payments.

Notes to and forming part of the financial statements

Note 18: Budgetary Reports and Explanations of Major Variances

Note 18B: Departmental Major Budget Variances for 2015 (continued)

Explanations of major variances	Affected line items (and statement)
<p><u>Other payables</u></p> <p>Other payables increased by \$92k. At 30 June 2015, other payables represented a liability for a redundancy payout which was not considered in the budget.</p>	<p><i>Other payables (Statement of Financial Position)</i></p>
<p><u>Revenue</u></p> <p>Total own source income increased by \$16k as a result of an increase in audit fees and an unforeseen refund on workers compensation insurance premiums.</p>	<p><i>Rendering of services and Other gains (Statement of Comprehensive Income)</i></p>
<p><u>Land and buildings</u></p> <p>There were no additions to, or disposals of land and buildings during 2014-15 and ordinarily, the movement should represent the accumulated depreciation for the period. However, there has been an increase in the net book value of \$18K. The increase represents the depreciation on a new cost base, after a revaluation was undertaken in the prior year.</p>	<p><i>Land and buildings (Statement of Financial Position), Financing cash received - Capital Budget - Bill 1 DCB (Cash Flow Statement)</i></p>
<p><u>Property, Plant and Equipment</u></p> <p>There has been an increase in the net book value of property, plant and equipment of \$42K. Part of this movement is a result of asset purchases of approximately \$102K (GST inclusive) and some minor disposals. However, the difference is also due to the depreciation on a new cost base, after a revaluation was undertaken in the prior year.</p>	<p><i>Property, plant and equipment (Statement of Financial Position), Investing cash used - Purchase of property, plant and equipment (Cash Flow Statement), Financing cash received - Capital Budget - Bill 1 DCB (Cash Flow Statement)</i></p>
<p><u>Intangibles</u></p> <p>Intangibles have decreased by \$110k which mainly relates to the difference between the budgeted and actual spend up to 30 June 2015 for the case management system. The total spend to 30 June 2015 was \$98k, and further expenses are expected to be incurred in future years for this project. The budget was based on the expectation that the case management system would be paid in full and operational part way through the year. However, there were unforeseen delays in the project which have moved the completion date to 2015-16.</p>	<p><i>Intangibles (Statement of Financial Position), Investing cash used - Purchase of intangibles (Cash Flow Statement), Financing cash received - Capital Budget - Bill 1 DCB (Cash Flow Statement)</i></p>
<p>Cash used for intangibles was \$204K as the balance included cash for prior year WIP that was booked at year end but not paid until early 2014-15.</p>	
<p><u>Capital budget - Bill 1 (DCB)</u></p> <p>Actual cash received from financing activities represents actual cash drawn down from the departmental capital budget for asset purchases. The budget represents the departmental capital budget (equity contribution) for 2014-15.</p>	<p><i>Property, plant and equipment (Statement of Financial Position), Investing cash used - Purchase of property, plant and equipment (Cash Flow Statement), Intangibles (Statement of Financial Position), Investing cash used - Purchase of intangibles (Cash Flow Statement), Financing cash received - Capital Budget - Bill 1 DCB (Cash Flow Statement)</i></p>
<p><u>Equity</u></p> <p>Contributed equity and retained surplus have decreased by approximately 68% in total due to the Government's repeal of all Annual Appropriation Acts from 1 July 2010 to 30 June 2012 under the <i>Omnibus Repeal Day Act 2014</i>.</p>	<p><i>Contributed equity and retained surplus (Statement of Financial Position), Retained earnings and contributed equity/capital (Statement of Changes in Equity)</i></p>
<p><u>Surplus/(Deficit) attributable to the Australian Government</u></p> <p>PSR broke even at 30 June 2015. Therefore, the operating loss for 2014-15 predicted at budget was due to unknown fluctuations in case referrals.</p>	<p><i>Total comprehensive income/(loss) attributable to the Australian Government (Statement of Comprehensive Income)</i></p>

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 at www.psr.gov.au/psr-agency-corporate-information/information-publication-scheme.

Contact officer

All freedom of information requests should be directed to:

The Freedom of Information Officer
Professional Services Review
PO Box 7152
Canberra Business Centre
ACT 2610

Glossary

The Act means the *Health Insurance Act 1973*.

AMA means the Australian Medical Association.

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.

DHS means the Australian Government Department of Human Services, which administers the Medicare program and the Pharmaceutical Benefits Scheme. DHS refers matters to PSR for investigation.

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.

Overservicing means providing a patient with services in excess of the patient's actual medical need.

Panel means the Professional Services Review Panel established under subsection 84(1) of the Act, members of which are available for appointment to a committee.

Panel member means a practitioner appointed under subsection 84(2) of the Act.

PBS means the Pharmaceutical Benefits Scheme.

Peers means the members of the 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:

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

PSR means Professional Services Review.

RACGP means the Royal Australian College of General Practitioners.

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

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Departmental overview			
	Role and functions	Mandatory	1-2
	Organisational structure	Mandatory	1, 16-17
	Outcome and program structure	Mandatory	3
	Where outcome and program structures differ from Portfolio Budget Statements (PBS)/ Portfolio Additional Estimates Statements (PAES) or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	Not applicable
	Portfolio structure	Portfolio departments—mandatory	Not applicable
Report on performance			
	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	3-15
	Actual performance in relation to deliverables and KPIs set out in PBS/PAES or other portfolio statements	Mandatory	7

Part of report	Description	Requirement	Page number
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	Not applicable
	Narrative discussion and analysis of performance	Mandatory	3-15
	Trend information	Mandatory	3-15
	Factors, events or trends influencing departmental performance	Suggested	3-15
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	Not applicable
	Discussion and analysis of the department's financial performance	Mandatory	25-26
	Discussion of any significant changes in financial results from the prior year or from budget, or anticipated to have a significant impact on future operations	Mandatory	Not applicable
	Agency resource statement and summary resource tables by outcomes	Mandatory	28
Management and accountability			
Corporate governance			
	Agency heads are required to certify their agency's actions in dealing with fraud	Mandatory	iii, 19
	Statement of the main corporate governance practices in place	Mandatory	16-17
	Senior management committees and their roles	Suggested	18-20
External scrutiny			
	Significant developments in external scrutiny	Mandatory	19
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	19
	Reports by the Auditor-General, a parliamentary committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	19
Management of human resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	21-24
	Training and development undertaken, and its impact	Suggested	23

Part of report	Description	Requirement	Page number
	Statistics on staffing	Mandatory	21-22
	Statistics on employees who identify as Indigenous	Mandatory	22
	Enterprise or collective agreements, individual flexibility agreements (IFAs), determinations, common law contracts and Australian Workplace Agreements	Mandatory	23
	Performance pay	Mandatory	Not applicable
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	25
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	25
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year, the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST), the number of ongoing consultancy contracts that were active in the reporting year, and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	25-26
Australian National Audit Office access clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	26
Exempt contracts	Contracts exempted from publication in AusTender	Mandatory	26
Small business	Procurement initiatives to support small business	Mandatory	26
Financial statements	Financial statements	Mandatory	29-77

Part of report	Description	Requirement	Page number
Other mandatory information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	23-24
	Advertising and market research (s. 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	26
	Ecologically sustainable development and environmental performance (s. 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	26
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not applicable
	Grant programs	Mandatory	26
	Disability reporting—explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	24
	Information Publication Scheme statement	Mandatory	78
	Correction of material errors in previous annual report	If applicable, mandatory	Not applicable
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