

# **PROFESSIONAL SERVICES REVIEW**

PSR

**Agency resources and  
planned performance**



# Professional Services Review

Health and Ageing Portfolio Agency

---

PSR

<b>Section 1: Agency overview and resources</b> .....	<b>824</b>
1.1: Strategic Direction Statement.....	824
1.2: Agency Resource Statement.....	825
1.3: Budget Measures .....	826
<b>Section 2: Outcomes and planned performance</b> .....	<b>827</b>
2.1: Outcomes and performance information .....	827
<b>Section 3: Explanatory tables and Budgeted Financial Statements</b> .....	<b>833</b>
3.1: Explanatory tables.....	833
3.2: Budgeted Financial Statements .....	834

## **Section 1: Agency Overview and Resources**

### **1.1 Strategic Direction Statement**

Professional Services Review (PSR) investigates suspected cases of inappropriate practice by health practitioners on request from Medicare Australia. ‘Inappropriate practice’ is practice that would be unacceptable to the general body of the profession. Investigations are conducted by the Director of PSR who may refer the health practitioners to a committee of peers.

PSR examines services provided by a health practitioner to determine inappropriate rendering or initiation of services that attract a Medicare Benefits Schedule (MBS) payment, or prescriptions under the Pharmaceutical Benefits Scheme (PBS). The PSR Scheme covers medical practitioners, dentists, optometrists, chiropractors, physiotherapists, podiatrists and osteopaths.

The role and functions of PSR are set out in the *Health Insurance Act 1973*. PSR is prescribed as an Agency under the *Financial Management and Accountability Act 1997*.

## 1.2 Agency Resources

Table 1.2.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by departmental classifications.

**Table 1.2.1 PSR Resource Statement – Budget Estimates for 2010-11 as at Budget May 2010**

	Estimate of prior year amounts available in 2010-11 \$'000	Proposed at Budget 2010-11 \$'000	Total estimate 2010-11 \$'000	Estimated available appropriation 2009-10 \$'000
<b>Ordinary annual services<sup>1</sup></b>				
<b>Departmental appropriation</b>				
Prior year departmental appropriation <sup>2</sup>	411	-	411	380
Departmental appropriation <sup>3</sup>	-	8,460	8,460	6,109
s31 relevant agency receipts <sup>4</sup>	-	50	50	50
<b>Total</b>	<b>411</b>	<b>8,510</b>	<b>8,921</b>	<b>6,539</b>
<b>Total ordinary annual services</b>	<b>411</b>	<b>8,510</b>	<b>8,921</b>	<b>6,539</b>
<b>Other services - Bill 2<sup>5</sup></b>				
<b>Departmental non-operating</b>				
Equity injections	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total available annual appropriations</b>	<b>411</b>	<b>8,510</b>	<b>8,921</b>	<b>6,539</b>
<b>Total appropriations excluding special accounts</b>	<b>411</b>	<b>8,510</b>	<b>8,921</b>	<b>6,539</b>
<b>Special accounts</b>				
Opening balance <sup>6</sup>	-	-	-	-
Appropriation receipts <sup>7</sup>	-	-	-	-
Non-appropriation receipts to special accounts	-	-	-	-
<b>Total special accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total resourcing</b>	<b>411</b>	<b>8,510</b>	<b>8,921</b>	<b>6,539</b>
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	-	-	-	-
<b>Total net resourcing for PSR</b>	<b>411</b>	<b>8,510</b>	<b>8,921</b>	<b>6,539</b>

Note: All figures are GST exclusive.

<sup>1</sup> Appropriation Bill (No.1) 2010-11.

<sup>2</sup> Estimated adjusted balance carried from previous year for annual appropriations.

<sup>3</sup> Includes an amount of \$0.649m in 2010-11 for the Departmental Capital Budget (refer to table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

<sup>4</sup> section 31 FMA Act Relevant Agency receipts - estimate.

<sup>5</sup> Appropriation Bill (No.2) 2010-11.

<sup>6</sup> Estimated opening balance for special accounts. For further information on special accounts see Table 3.1.2.

<sup>7</sup> Appropriation receipts from PSR annual and special appropriations for 2009-10 included above.

### 1.3 Budget Measures

Budget measures relating to PSR are detailed in Budget Paper No. 2 and are summarised below.

**Table 1.3.1 PSR Budget Measures**

	Program	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
<b>Professional Services Review - supporting more investigations of inappropriate practice</b>						
Professional Services Review	1.1					
Departmental expenses		-	1,953	-	-	-
<b>Total</b>		-	<b>1,953</b>	-	-	-

## Section 2: Outcomes and Planned Performance

### 2.1 Outcomes and Performance Information

**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**

#### Outcome Strategy

The Australian Government, through PSR, aims to safeguard the public against the risks and costs of inappropriate practices by health practitioners. PSR will work with state and territory governments and medical and health care regulatory bodies to protect the integrity of the MBS and the PBS.

The PSR Scheme is part of a strong regulatory regime to ensure that clinically appropriate, cost-effective clinical services are delivered. The scheme provides the legislative framework within which the Director of PSR reviews the provision of services by a health practitioner for inappropriate practice, in response to a request by Medicare Australia. This review could be in relation to the MBS and/or the PBS, both of which are administered by Medicare Australia. The scheme also applies sanctions if required through the Determining Authority, an independent body within PSR.

PSR seeks to improve the standard of health care provided by the practitioners it investigates. More broadly, PSR seeks to change behaviour across the health professions by raising awareness of the Australian Government's expectation of high quality health service delivery.

## PSR Budgeted Expenses and Resources

Table 2.1.1 provides an overview of the total expenses for PSR by Program.

**Table 2.1.1: Budgeted Expenses and Resources for PSR**

	2009-10 Estimated actual \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
<b>Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme</b>					
Departmental expenses					
Ordinary annual services (Appropriation Bill No. 1)	6,109	7,811	5,894	5,984	6,047
Revenues from independent sources (section 31)	50	50	50	50	50
Expenses not requiring appropriation in the Budget year <sup>1</sup>	-	256	280	257	257
Operating deficit (surplus)	1,500	-	-	-	-
<b>Total for Program 1.1</b>	<b>7,659</b>	<b>8,117</b>	<b>6,224</b>	<b>6,291</b>	<b>6,354</b>
<b>Total expenses for Outcome 1</b>	<b>7,659</b>	<b>8,117</b>	<b>6,224</b>	<b>6,291</b>	<b>6,354</b>
	<b>2009-10</b>	<b>2010-11</b>			
<b>Average staffing level (number)</b>	29	30			

<sup>1</sup> Unfunded depreciation expense.

## Contributions to PSR

### Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme

#### Program Objective

The Australian Government, through this Program, aims to:

- protect patients and reduce costs associated with inappropriate clinical practice; and
- maintain the support of health practitioners for PSR.

#### Major Activities

##### Protect against inappropriate health care practice

The Australian Government, through PSR, contributes to the delivery of high quality health services by ensuring that the public is protected from the adverse consequences of inappropriate clinical practice. PSR will collaborate with the Department of Health and Ageing, Medicare Australia, and health and medical regulatory bodies, to ensure it effectively achieves this aim.

PSR's workload is dependent upon the number of cases referred by Medicare Australia. Under Medicare Australia's national compliance program, suspected cases of inappropriate practice by health care service providers are identified and referred to PSR.

##### *Investigating health practitioners*

After initial review of statistical data and patient records, the Director of PSR determines whether no further action is to be taken, a settlement is negotiated or a peer review committee is established. Where it is found that further investigation is required, a peer review committee is established, comprising a chair and two members from the same health profession as the practitioner being investigated, to review the practitioner's case.

##### *Applying sanctions*

Where it is found that the practitioner has practised inappropriately, sanctions may include a reprimand, repayment of MBS payments received, or partial to full disqualification from claiming MBS payments or writing PBS prescriptions. The Determining Authority imposes the sanctions as the 'final determination'. To deter practitioners from inappropriate practice, PSR also publishes the findings and final determination.

##### *Referral to registration and/or disciplinary bodies*

If, during the investigation, PSR identifies a practice that poses either a threat to a patient or does not meet professional standards, the practitioner is referred to the relevant regulatory body. Through this activity, PSR is able to integrate activities within the broader health care regulatory framework, including state and territory health departments, registration boards and health care complaint mechanisms.

##### Maintain professional support for PSR

PSR is the Australian Government's primary means of investigating inappropriate clinical practice, with an emphasis on peer review. Therefore, PSR relies on the support of health practitioners and their representative registration bodies.

PSR reviews a small number of health care providers, however publishing the outcomes of inappropriate practice can encourage other practitioners to maintain the highest standards. In 2010-11, PSR will continue to publicise cases of inappropriate practice to reduce these behaviours and associated costs to MBS, PBS and the community.

PSR will continue to work closely with the health care professions, the Department of Health and Ageing and Medicare Australia, to ensure it is able to respond appropriately to new developments in clinical services delivery. PSR will consult with relevant professional bodies to raise awareness of inappropriate practice, and use the medical press to highlight PSR review outcomes.

PSR's Program 1.1 is linked as follows:

- Medicare Australia (Department of Human Services) to administer the Pharmaceutical Benefits Scheme, Repatriation Pharmaceutical Benefits Scheme, Indigenous Access to PBS, and Medicare services and benefit payments, under its Delivery of Medicare Benefits Schedule (Program 1.1) and Delivery of Pharmaceutical Benefits Scheme (Program 1.2).

### **Program 1.1: Deliverables**

PSR will produce the following 'Deliverables' to achieve the Program Objective.

**Table 2.1.2: Qualitative Deliverables for Program 1.1**

<b>Qualitative Deliverables</b>	<b>2010-11 Reference Point or Target</b>
<b>Maintain professional support for PSR</b>	
Publication of cases of inappropriate practice by health care practitioners	Cases of inappropriate practice publicised to increase awareness among health practitioners

**Table 2.1.3: Quantitative Deliverables for Program 1.1<sup>1</sup>**

Quantitative Deliverables	2009-10 Revised Budget	2010-11 Budget	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
<b>Protect patients from inappropriate clinical practice</b>					
Number of reviews finalised <sup>2</sup>	95	60	60	60	60
Number of committees established	30	20	20	20	20
Number of final determinations issued	75	50	60	60	60

**Program 1.1: Key Performance Indicators**

The following ‘Key Performance Indicators’ measure the impact of the Program.

**Table 2.1.4: Qualitative Key Performance Indicators for Program 1.1**

Qualitative Indicator	2010-11 Reference Point or Target
<b>Maintain professional support for PSR</b>	
Professional bodies willing to provide nominees to the peer review committee panel	Professional bodies provide nominations when sought
Positively influence health care profession behaviour	Analysis of available information demonstrates a positive change in health care profession behaviour

<sup>1</sup> The projected figures this table have been changed from the 2009-10 Portfolio Budget Statements due to an adjustment in the number of cases estimated to be received in 2009-2010.

<sup>2</sup> PSR’s workload fluctuates, as it is dependent upon the number of cases received from Medicare Australia. Therefore, it is more reasonable to report on the number of reviews finalised in a given year. Medicare Australia has advised that it does not expect to refer as many cases to PSR in the budget and forward years, as were referred in 2008-09. Not all reviews are finalised in the year that they are received by PSR.

**Table 2.1.5: Quantitative Key Performance Indicators for Program 1.1**

Quantitative Indicators	2009-10 Revised Budget	2010-11 Budget Target	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
<b>Protect patients from inappropriate clinical practice</b>					
Percentage of referred practitioners found to have practised inappropriately more than once <sup>3</sup>	6.5%	6.5%	6.0%	5.5%	5.5%

---

<sup>3</sup> In 2009-10, PSR reported on ‘percentage reduction in the number of practitioners referred to PSR more than once’. However, this key performance indicator has been revised to provide information that is more meaningful.

## Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2010-11 Budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

### 3.1 Explanatory Tables

#### 3.1.1 Movement of administered funds between years

Section 3.1.1 is not applicable to PSR.

#### 3.1.2 Special Accounts

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the FMA Act or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by PSR.

**Table 3.1.2: Estimates of special account flows and balances**

		Opening balance 2010-11 2009-10	Appropriation receipts 2010-11 2009-10	Other receipts 2010-11 2009-10	Payments 2010-11 2009-10	Closing balance 2010-11 2009-10
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys s20 FMA Act <sup>s</sup>	1	-	-	-	-	-
<b>Total special accounts 2010-11 Estimate</b>		-	-	-	-	-
<i>Total special accounts 2009-10 estimate actual</i>		-	-	-	-	-

<sup>s</sup> Special Public Moneys

#### 3.1.3 Australian Government Indigenous Expenditure

The 2010-11 Australian Government Indigenous Expenditure (AGIE) Statement is not applicable because PSR has no specific Indigenous expenses.

## **3.2 Budgeted Financial Statements**

### **3.2.1 Differences in agency resourcing and financial statements**

### **3.2.2 Analysis of budgeted financial statements**

An analysis of PSR's budgeted financial statements for 2010-11 is provided below.

#### **Departmental Resources**

##### **Comprehensive Income Statement**

PSR received 136 cases in 2008-09, which is a 172 per cent increase on the previous year. The timelines associated with PSR's processes mean that the bulk of the expenditure associated with these cases will be incurred in the 2009-10 and 2010-11 financial years. PSR will receive an additional \$2.0 million in the 2010-11 Budget and has approval to incur a \$1.5 million operational loss in 2009-10 to meet the increased expenditure associated with the additional cases.

The income statement deficit in the Budget year and forward years is a result of the Government's decision to no longer fund for depreciation.

##### **Balance Sheet**

PSR will be investing in a database to manage its caseload in 2010-11, which has resulted in an increase in intangibles.

In the 2007-08 financial year, PSR returned unutilised appropriation from prior years totalling \$9,493,000 to the Department of Finance and Deregulation. This has been reflected as a return to contributed equity, thus resulting in a negative contributed equity situation.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (showing net cost of services)  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>EXPENSES</b>					
Employee benefits	3,342	3,266	2,844	3,002	3,002
Supplier expenses	4,136	4,595	3,100	3,032	3,095
Depreciation and amortisation	181	256	280	257	257
<b>Total expenses</b>	<b>7,659</b>	<b>8,117</b>	<b>6,224</b>	<b>6,291</b>	<b>6,354</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	-	-	-	-	-
Other revenue	50	50	50	50	50
<b>Total revenue</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Gains</b>					
Other	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total own-source income</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Net cost of (contribution by) services</b>	<b>7,609</b>	<b>8,067</b>	<b>6,174</b>	<b>6,241</b>	<b>6,304</b>
Revenue from Government	6,109	7,811	5,894	5,984	6,047
<b>Surplus (Deficit)</b>	<b>(1,500)</b>	<b>(256)</b>	<b>(280)</b>	<b>(257)</b>	<b>(257)</b>
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>(1,500)</b>	<b>(256)</b>	<b>(280)</b>	<b>(257)</b>	<b>(257)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
<b>Total comprehensive income attributable to the Australian Government</b>	<b>(1,500)</b>	<b>(256)</b>	<b>(280)</b>	<b>(257)</b>	<b>(257)</b>

**Table 3.2.1: Comprehensive income statement (showing net cost of services)  
(for the period ended 30 June) (Continued)**

<b>Note: Reconciliation of operating result attributable to PSR</b>					
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating result attributable to the Australian Government</b>	(1,500)	(256)	(280)	(257)	(257)
plus non-appropriated expenses depreciation and amortisation expen	-	256	280	257	257
<b>Operating result attributable to PSR</b>	<b>(1,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	380	380	380	380	380
Receivables	476	476	476	476	476
<b>Total financial assets</b>	<b>856</b>	<b>856</b>	<b>856</b>	<b>856</b>	<b>856</b>
<b>Non-financial assets</b>					
Land and buildings	296	326	306	326	346
Infrastructure, plant and equipment	207	182	186	169	152
Intangibles	78	466	402	342	322
Other	40	40	40	40	40
<b>Total non-financial assets</b>	<b>621</b>	<b>1,014</b>	<b>934</b>	<b>877</b>	<b>860</b>
<b>Total assets</b>	<b>1,477</b>	<b>1,870</b>	<b>1,790</b>	<b>1,733</b>	<b>1,716</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	301	301	301	301	301
Other payables	102	102	102	102	102
<b>Total payables</b>	<b>403</b>	<b>403</b>	<b>403</b>	<b>403</b>	<b>403</b>
<b>Provisions</b>					
Employees	477	477	477	477	477
Other provisions	83	83	83	83	83
<b>Total provisions</b>	<b>560</b>	<b>560</b>	<b>560</b>	<b>560</b>	<b>560</b>
<b>Total liabilities</b>	<b>963</b>	<b>963</b>	<b>963</b>	<b>963</b>	<b>963</b>
<b>Net assets</b>	<b>514</b>	<b>907</b>	<b>827</b>	<b>770</b>	<b>753</b>
<b>EQUITY</b>					
Contributed equity	(9,493)	(8,844)	(8,644)	(8,444)	(8,204)
Reserves	357	357	357	357	357
Retained surpluses or accumulated deficits	9,650	9,394	9,114	8,857	8,600
<b>Total equity</b>	<b>514</b>	<b>907</b>	<b>827</b>	<b>770</b>	<b>753</b>

Note: In the 2007-08 financial year, PSR returned unutilised appropriation from prior years totalling \$9,493,000 to Government.

**Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)**

	Retained surplus \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Balance carried forward from previous period	9,650	357	-	(9,493)	514
Surplus (deficit) for the period	(256)	-	-	-	(256)
Capital budget - Bill 1 <sup>1</sup>	-	-	-	649	649
<b>Estimated closing balance as at 30 June 2011</b>	<b>9,394</b>	<b>357</b>	<b>-</b>	<b>(8,844)</b>	<b>907</b>

<sup>1</sup> Departmental Capital Budget (DCB).

**Table 3.2.4: Budgeted departmental statement of cash flows  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	7,378	7,834	5,934	6,024	6,047
Other cash received	50	50	50	50	50
<b>Total cash received</b>	<b>7,428</b>	<b>7,884</b>	<b>5,984</b>	<b>6,074</b>	<b>6,097</b>
<b>Cash used</b>					
Employees	3,376	3,294	2,873	3,032	3,032
Suppliers	4,002	4,590	3,111	3,042	3,065
<b>Total cash used</b>	<b>7,378</b>	<b>7,884</b>	<b>5,984</b>	<b>6,074</b>	<b>6,097</b>
<b>Net cash from (or used by) operating activities</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	50	649	200	200	240
<b>Total cash used</b>	<b>50</b>	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>
<b>Net cash from (or used by) investing activities</b>	<b>(50)</b>	<b>(649)</b>	<b>(200)</b>	<b>(200)</b>	<b>(240)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Capital budget - Bill 1 (DCB)	-	649	200	200	240
<b>Total cash received</b>	<b>-</b>	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>
<b>Net cash from (or used by) financing activities</b>	<b>-</b>	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>
<b>Net increase (or decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	380	380	380	380	380
<b>Cash at the end of the reporting period</b>	<b>380</b>	<b>380</b>	<b>380</b>	<b>380</b>	<b>380</b>

**Table 3.2.5: Capital budget statement**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 (DCB)	-	649	200	200	240
<b>Total capital appropriations</b>	-	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>
<b>Total new capital appropriations</b>					
<b>Represented by:</b>					
Purchase of non-financial assets	-	649	200	200	240
<b>Total represented by</b>	-	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB <sup>1</sup>	-	649	200	200	240
Funded internally from departmental resources <sup>2</sup>	50	-	-	-	-
<b>Total acquisitions of non-financial assets</b>	<b>50</b>	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	50	649	200	200	240
<b>Total cash used to acquire assets</b>	<b>50</b>	<b>649</b>	<b>200</b>	<b>200</b>	<b>240</b>

<sup>1</sup> Does not include annual finance lease costs. Include purchase from current and previous years Departmental Capital Budgets (DCB).

<sup>2</sup> Includes the following sources of funding:  
 - annual and prior year appropriations;  
 - donations and contributions;  
 - gifts;  
 - finance leases;  
 - internally developed assets;  
 - section 31 FMA Act relevant agency receipts (for FMA agencies only); and  
 - proceeds from the sale of assets.

**Table 3.2.6: Statement of asset movements (2010-11)**

	Land	Buildings	Other infrastructure, plant & equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2010</b>					
Gross book value	-	384	345	448	1,177
Accumulated depreciation/amortisation	-	88	138	370	596
<b>Opening net book balance</b>	<b>-</b>	<b>296</b>	<b>207</b>	<b>78</b>	<b>581</b>
<b>CAPITAL ASSET ADDITIONS</b>					
<b>Estimated expenditure on new or replacement assets</b>					
By purchase - appropriation ordinary annual services	-	50	100	499	649
<b>Sub-total</b>	<b>-</b>	<b>50</b>	<b>100</b>	<b>499</b>	<b>649</b>
<b>Other movements</b>					
Depreciation/amortisation expense	-	20	125	111	256
<b>as at 30 June 2011</b>					
Gross book value	-	434	445	947	1,826
Accumulated depreciation/amortisation	-	108	263	481	852
<b>Closing net book balance</b>	<b>-</b>	<b>326</b>	<b>182</b>	<b>466</b>	<b>974</b>

### **3.2.4 Notes to financial statements**

The budgeted financial statements for PSR are prepared for the Budget year, previous year and three forward years.

#### **Changes resulting from Net Cash Arrangements**

Net cash appropriation arrangements have been implemented as part of the Operation Sunlight reform agenda to increase budget transparency and accountability through improving the levels of disclosure to Parliament regarding the use of appropriations, and encouraging more effective resource management practices with the release of funds to agencies as and when they are needed.

Net cash appropriation arrangements involve the cessation of funding for depreciation, amortisation and makegood expenses. Funding for these expenses has been replaced with a Departmental Capital Budgets (DCBs) for FMA Act Agencies.

To aid transparency of operating results as a result of this change, the Comprehensive Income Statement includes a reconciliation of operating result attributable to PSR by including non-appropriated depreciation and amortisation expenses.

#### **Estimates of special account flows and balances**

This table provides for the cash flows and balances of the special accounts under the responsibility of PSR.

#### **Departmental Financial Statements**

##### **Comprehensive income statement (showing net cost of services) (for the period ended 30 June)**

This statement provides a picture of the expected financial results for PSR by identifying accrual expenses and revenues showing the net cost of services.

This statement also provides for the first time, revenues and expenses taken through equity to provide for a comprehensive income and expense.

##### **Budgeted departmental balance sheet (as at 30 June)**

The statement shows the financial position of PSR. It enables decision-makers to track the management of PSR's assets and liabilities.

##### **Departmental statement of changes in equity – summary of movement (Budget year 2010-2011)**

This table shows the movements in equity during the Budget year.

This table has been amended for the 2010-11 Budget to include amounts provided in PSR's Capital Budget as part of net cash arrangements as discussed above.

##### **Budgeted departmental statement of cash flows (for the period ended 30 June)**

Budgeted cash flows as reflected in the statement of cash flows, provides important information on the extent and nature of cash flows by characterising them into expected cash flows from operating activities, investing activities and financing activities.

##### **Capital budget statement**

This table shows the appropriations from Government for the purchase of capital items and purchases of non-financial assets from capital and internal sources.

This table has been amended for the 2010-11 Budget to include Departmental Capital Budget funding as part of net cash arrangements discussed above, and to provide a reconciliation between the asset purchases and cash flow statement.

**Statement of asset movements (2010-11)**

This table shows the movements in asset classes through addition (eg purchases) and other movements (eg depreciation and amortisation).

Purchases are reconciled in the Capital Budget Statement to the Statement of Cash Flows as described above and include sources of funding for asset purchases and include amounts received under net cash resourcing arrangements as also described above.

