



## **Cost Percentage Allocation (Phase 3 Report)**

**Presented to the  
National Boards**

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## 1 Introduction

We have completed our review of the Australian Health Practitioner Regulation Agency (AHPRA) shared costs allocation practices per our engagement letter dated 26 October 2012.

We have concluded on the reasonableness of the methodology and the underlying assumptions adopted by management during the timesheet process.

We also wish to thank AHPRA management for their assistance in the completion of this review.

## 2 Executive Summary

### 2.1 Background

In September 2011, Moore Stephens was engaged to 'develop and implement a methodology and process to review the allocated percentages relating to the 10 Boards' shared costs incurred by AHPRA in supporting the National Boards'.

Following a period of fieldwork and consultation with key management, including the CEO of AHPRA, our report was provided to management in April 2012.

We presented AHPRA with an alternate methodology to the one in used since inception, at the time, however we also indicated that due to the infancy of the National Scheme, there were weaknesses in the quality and quantity of AHPRA's costing data that limited the effectiveness of the adoption of a best practice methodology until such data were accumulated and tested over time. The impact of the addition of 4 new professions from 1 July 2012 also added to the complexity of establishing an appropriate cost model.

We recommended that management continue to accumulate data that were reliable and meaningful, enabling AHPRA to implement a cost allocation methodology that would withstand both internal and external scrutiny. We indicated that with appropriate resourcing and management support, a revised methodology could be implemented by 1 July 2013.

As a result of the findings of our April 2012 Cost Allocation report, management initiated a 3 month timesheet data capturing exercise (commenced September 2012) across a predetermined section of the AHPRA workforce. The aim of this data capture process was to obtain additional evidence on the time used by staff across AHPRA in order to calculate a more accurate cost allocation percentage for the year commencing 1 July 2013.

### 2.2 Objective

Our engagement was isolated to reporting findings under the agreed scope in Section 2.3 below. The procedures performed did not constitute a reasonable or limited assurance engagement, accordingly, no ausit opinion is provided.

Our engagement was conducted in accordance with the Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings. That Standard requires that we comply with ethical requirements equivalent to Other Assurance Engagements, and plan and perform the agreed procedures to obtain factual findings.

### 2.3 Engagement Scope

Our engagement with you included;

1. Planning and update briefings with David Corney (Timesheet Co-ordination Project Manager) Anthony DeJong (Financial Operations Manager) and John Ilott (Director, Finance & Corporate);
2. Review of data provided by management with a view to assess the completeness of the data collated and to report on the process used by management to collate and analyse the data obtained;

3. Review of management's assumptions made in extrapolating the data obtained and commenting on the reasonableness of assumptions made;
4. Verification of the accuracy of management's revised cost allocation percentages as a result of the findings of the timesheet data collection process and as a result of the assumptions made in item 3 above; and
5. Completion of a report to the National Executive confirming our findings and observations.

## 2.4 Conclusion

We have completed all aspects of our engagement scope. Our findings are as follows;

1. Weekly meetings were held with Anthony DeJong and David Corney during December 2012. Planning meetings addressed variations in data and were used to test assumptions and calculations.
2. The data compiled during the timesheet period covered a 3 month period, ending 7 December 2012. The data collated was tested for completeness and accuracy. The data was further analysed to ensure that the data collected was in line with the methodology (Refer Section 4) determined by the AHPRA timesheet project team.

Variations in the data were analysed by Moore Stephens in conjunction with the project team. We are satisfied that the data has been captured in accordance with the methodology and that anomalies have been addressed by management. (Refer Appendix 4 for further details).

3. Management have made a number of assumptions in the extrapolation of data. This is a necessary part of ensuring that the final cost allocation percentage proposed has considered any material matters that had not been captured in the sample period. We are satisfied that the adjustments made to the sample data appear reasonable (Refer Appendix 1 and Appendix 2 for details) based upon the information supplied by AHPRA management.
4. We are satisfied that management has aggregated timesheet data accurately and that all adjustments to the base timesheet data have been calculated accurately.

## 2.5 Proposed Allocation Percentages – 1 July 2013

Based on the data obtained from the timesheet survey and considering the adjustments made and the assumptions underlying those adjustments, the proposed 2013/2014 cost allocation is represented in the table below.

*Table - Proposed allocations for 2013-14*

National Board	2010 / 2011 Allocation	2011 / 2012 Allocation	2012 / 2013 Allocation	Proposed 2013 / 2014 Allocation	Variability Range (-) *	Variability Range (+) *
<b>Aboriginal and Torres Strait Islander Health Practice</b>	n/a	n/a	0.20%	0.19%	0.18%	0.20%
<b>Chinese Medicine</b>	n/a	n/a	1.00%	1.06%	1.02%	1.10%
<b>Chiropractic</b>	1.10%	1.10%	1.05%	1.42%	1.35%	1.49%
<b>Dental</b>	6.13%	6.13%	5.84%	6.22%	5.91%	6.53%
<b>Medical</b>	39.00%	39.00%	37.15%	35.60%	33.82%	37.38%
<b>Medical Radiation</b>	n/a	n/a	1.80%	1.25%	1.19%	1.31%
<b>Nursing and Midwifery</b>	37.00%	37.00%	35.25%	34.88%	33.13%	36.63%
<b>Occupational Therapy</b>	n/a	n/a	1.75%	2.06%	1.96%	2.16%
<b>Optometry</b>	0.84%	0.84%	0.80%	0.68%	0.64%	0.72%
<b>Osteopathy</b>	0.24%	0.24%	0.23%	0.40%	0.38%	0.42%
<b>Pharmacy</b>	4.98%	4.98%	4.74%	5.43%	5.16%	5.70%
<b>Physiotherapy</b>	2.66%	2.66%	2.53%	2.43%	2.30%	2.56%
<b>Podiatry</b>	0.48%	0.48%	0.45%	0.64%	0.61%	0.67%
<b>Psychology</b>	7.57%	7.57%	7.21%	7.74%	7.35%	8.13%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	95.00%	105.00%

*\* Most cost allocation methodologies are based on a number of assumptions and it is usual for a range +/- 5% of the derived percentage to be considered. This methodology contains a number of assumptions so management may wish to consider such a range deviation before a final allocation percentage is discussed with the Boards. See our data testing conclusions in Appendix 3.*

The column 'Proposed 2013/2014 Allocation' has been derived from timesheet survey results plus a number of defined adjustments (see Appendix 2 for details). The allocation is not an exact direct cost mechanism. Therefore a small level of inaccuracy or variability is expected. This variability means that management can reasonably adjust the allocation within the 5% variability range and not impact the findings of the survey.

We do reiterate that the survey sample size (335 staff) is very large. It is of a significant enough size (47% of the AHPRA's full and part time staff) to ensure that the results obtained provide a reasonable estimate of the hours incurred in the AHPRA's activities of Notification, Registration, Compliance, Legal and Board Services. Because of the size of the sample, despite some anomalies in the data as highlighted in Appendix 3, the results provide a strong foundation on which to continue the journey towards a mature cost allocation methodology.

Because staff identified primarily to a specific board attributable to 80 staff have been overlaid into the model, the level of accuracy in the costs allocation has been further enhanced.

This means that the level of data accumulated and analysed is beyond what would normally be referred to as a 'sample'. 58% of staff have been assessed as a part of this exercise. The remaining 42% are not aligned to a specific function or Board and therefore it is reasonable to apply a final cost percentage allocation to these staff.

The data are of a robust enough nature that we encourage management to adopt the proposed allocation with confidence for 2013/14.

## 2.6 Recommendation

We recommend that management adopts the cost allocations recommended in the table on page 4, Proposed allocations for 2013-14.

We also recommend, that in order to ensure that future cost allocations are fully transparent and accurate, a timesheet approach is adopted full time across all AHPRA offices.

An integrated timesheet portal, linking with existing payroll systems, would ensure that staff costs are allocated with the maximum level of accuracy at all times of the year. A full time timesheet process will reduce the level of any anomalies in the calculation and provide a greater level of certainty to the Boards, and therefore greater confidence of the Boards.

Such a process takes time to embed and needs to consider change management and communication tasks that would need to support such a process.

Alternatively, as a minimum, regular timesheet studies should be conducted at other times of the year; this will help management test the reasonableness of existing assumptions.

## 3 AHPRA's Cost Allocation Road Map

### 3.1 Cost allocation requirements

Best practice cost allocation methodology is based on the following fundamentals.

**Defensible** – able to be scrutinised and tested both internally and externally by all impacted parties.

**Auditable** – ready to be tested from a financial perspective by an independent arbitrator.

**Understandable** – simple, non-complex and understood by all stakeholders, irrespective of their level of financial acumen.

**Flexible** – able to alter its calculations and approach as the structure of costs changes over time.

**Accurate** – ensures that all costs required to be passed on are calculated accurately and that data capture is robust to enable all costs to be charged back appropriately.

Throughout the process, management have revisited these fundamentals to ensure that the proposed changes to the cost allocation percentage are in line with best practice.

### 3.2 Percentage rates adopted at inception

The initial cost allocation percentages remained unchanged for the first two years (from 1 July 2010 to 30 June 2012) of the Scheme. While we were not supplied with documentation that supported the initial percentage allocation, we were advised that the the allocation percentages considered historical cost structures of the Boards and budgets for each of the Boards (as evident prior to the National Scheme), as well as Board structures and complexity.

It was recognised by AHPRA management and the National Boards that in order to provide certainty and a higher level of accuracy around any cost allocations, AHPRA needed to develop a formal methodology that could be explained to stakeholders and therefore increase transparency about the basis for future cost allocations.

Moore Stephens was engaged in October 2011, to provide AHPRA with a revised methodology, derived from available evidence, that would accurately reflect costs incurred by AHPRA on behalf of the 14 National Boards.

Our report, delivered in April 2012, identified a lack of suitable data to aid in the development of a more robust model. We also expressed concern that there was unknown variability and quality of the data that would be available upon entry of the 4 new professions. Thus, we made the following recommendation; “.....**As a result, given the level of unknown variables (insufficient data) in the cost allocation methodology, management are encouraged to consider deferring a change to the existing methodology until 1 July 2013.**”

**Such a deferral would enable AHPRA time to accumulate meaningful data over the next 12 months that would ensure a more reliable and defensible methodology.”**

### 3.3 Rates adopted for 2012/13

The review conducted by Moore Stephens in late 2011 highlighted that there was not sufficient evidence available to implement a long term change with confidence. As a result of these findings, management decided in the short term, to make some minor amendments or 'fine tuning' to the model adopted at inception. This was necessary due to the introduction of the 4 health professions joining the Scheme from 1 July 2012. Therefore relative workloads had to be estimated.

The percentage allocations adopted for 2012/13 were approved by each of the 14 National Boards prior to 1 July 2012. The revised percentages were based on the following considerations;

- i) estimated effort in assessing and processing registration and renewals in 2012/13, with reference to the estimated number of practitioners and an estimation of relativity to other professions;
- ii) estimated effort in managing notification matters during 2012/13 (and relative to other Boards) based on an estimation of the number of notification cases to be assessed/managed; and
- iii) estimated effort in supporting Boards and committees in 2012/13 (and relative to other Boards).

The impacts of these adjustment considerations are noted in the cost allocation comparison table in Section 2.

Management used all available historical data in the calculation of the revised percentages for 2012/13. We have not reviewed evidence relating to the changes made for the 2012/13 year as this is not part of the scope of this review.

### 3.4 Building data through a timesheet collation approach

To establish an accurate allocation methodology for the 2013/2014 financial year, and being mindful of our findings and report in April 2012, management established a small working group to determine what approach would provide a higher level of quality data to assure the accuracy level of the allocation percentages while at the same time ensuring that the approach did not place a heavy burden on AHPRA staff.

The working group, with advice from Moore Stephens, agreed that a timesheet collation process was the most suitable method.

A timesheet data collation trial had previously been conducted in the Western Australian AHPRA office (in 2011) and the findings helped the management team in Western Australia better understand how and when resources were utilised in providing services to the Boards.

Timesheet data collation, for the purposes of cost allocation or 'cost activity' to a variety of essentially homogeneous stakeholders, is particularly suited to the National Scheme. The greatest cost passed on by AHPRA to the National Boards (approximately 75%) is salary costs. To provide more certainty with respect to these costs, capturing the actual time spent by staff in servicing each of the Boards, ensures that costs can be attributed with a higher degree of accuracy.

## 4 Sample Methodology and Criteria

### 4.1 Scope

To achieve a valid sample of activity, a broad range of AHPRA staff was selected. The selection comprised a sample of all state and territory offices with representative activities within those offices. The activities selected were those directly involved with the provision of services to Boards (registrations, notifications, Board services and legal). The activities and offices chosen for the sample are shown in the table below.

Office	Registrations	Notifications	Board Services	Legal
<b>ACT</b>		Yes		
<b>Tasmania</b>		Yes		
<b>Northern Territory</b>		Yes		
<b>South Australia</b>		Yes		Yes
<b>Western Australia</b>	Yes	Yes	Yes	Yes
<b>New South Wales</b>	Yes			
<b>Queensland</b>	Yes		Yes	Yes
<b>Victoria</b>	Yes	Yes	Yes	Yes
<b>National Office</b>			Yes	

The sample group covers segments of the large, mid, and smaller jurisdictions. The rationale for the selections made is as follows:

<b>ACT</b>	Notifications requires the most resources. Registration numbers are not material to the overall results.
<b>TAS</b>	Notifications requires the most resources. Registration numbers are not material to the overall results.
<b>NT</b>	Notifications requires the most resources. Registration numbers are not material to the overall results.
<b>SA</b>	Registration effort is similar to WA but notifications/legal operate only under the National Law.
<b>WA</b>	Registrations and Board Services were selected as a valid sample of the mid-size and smaller states and territories. WA notifications operate under 10 pre-transition Acts plus the National Law. Activity was expected to yield different results from SA.
<b>NSW</b>	There are no notifications activities in NSW and registrations is the largest activity.
<b>QLD</b>	Notifications in Qld was experiencing a period that was not 'business as usual' and was excluded from the survey. All other areas were included.

VIC All Victorian activity was included.

N.O. National Board Services was included as the primary direct Board activity.

Some staff were not required to complete timesheets as their time is primarily spent on one Board only. Included in this group are National Board Executive Officers, some professional officers and some Board Support staff. The results included the time spent by these groups, but not via timesheet records

At the end of November 2012, 712 staff were engaged in the National Scheme. This includes all part time, casual and full time staff. It represents all contributors to the National Scheme irrespective of hours worked. The timesheet survey recorded entries from 335 staff (these staff fit the methodology profile in Section 4.1). A further 80 staff were not included in the sample but were included in the cost pool. This meant that 415 staff were captured in some way through the cost allocation process

This leaves approximately 297 staff that were not captured directly. These staff are a broad combination of National Office staff, general support staff and state office staff. That is, 297 staff were not included in the sample as their efforts are not aligned to a Boards or Boards specifically.

## 4.2 Timing

The working group identified a 3 month timesheet collation period (7 September 2012 to 7 December 2012). There were a number of reasons for choosing to conduct the survey during these dates and for this length of time;

- i) It included renewal periods for all Boards except Nursing and Midwifery Board of Australia;
- ii) It was sufficiently long to ensure a valid sample size;
- iii) It was short enough to minimise the disruption to staff; and
- iv) It enabled sufficient analysis and reporting time to ensure that the data could be incorporated into the 2013/14 financial year.

## 4.3 Normalisation of data

### 4.3.1 From three months to annualised data

The data collected in the sample capture a 3 month period.

Most of the activities during the sample period are reflective of the whole year as the work is not seasonal. The main exception to this is Australian applications for registration and renewals.

Applications from Australian graduates and practitioners are received throughout the year but peak at the end of the calendar year due to the alignment to courses of study. As this is comparable across all 14 professions, data are expected to remain consistent.

Renewal effort peaks either side of the renewal data and is considerably less at the other times of the year. The question arises, 'Do the 3 month data need to be normalised to 12 month data to take into account this effort, not just comparable to each profession but within the profession itself?' Currently there is insufficient data to assess the effort outside of the survey period but may form part of any proposal for future survey periods.

Therefore it is reasonable for the base data collected from the 3 month collation period to remain unadjusted as there is insufficient data to base any adjustment on.

### 4.3.2 Hourly Rates

The expenditure to be allocated as part of this process relates to actual expenditure incurred over the timesheet period.

This is determined through a combination of 'effort' (hours worked) multiplied by the actual hourly rate applied to each employee.

The data collected for every employee in the sample, and as such the data effort (hours), can be normalised to expenditure by overlaying the hourly rate to each hour worked. This is important as it is likely to reflect that the more complex areas of effort require more senior staff or expertise to provide the resource.

Therefore it is reasonable that the data collected from the study period **is adjusted** by overlaying the hourly rate of each employee included in the study period to ensure that the data more accurately reflect the actual expenditure incurred in the expenditure pool.

## 5 Appendix 1 – Proposed Adjustments

Once the data were normalised, AHPRA management identified a number of potential adjustments that may need to be considered for incorporation into the model. Each of these adjustments or ‘issues’ was assessed in isolation and the outcomes of the assessments are noted below.

### 5.1 Adjustments Made

The following adjustments have been made to model.

#### 5.1.1 NMBA Renewal Period

The survey period includes significant portions of the annual renewal period for thirteen of the fourteen boards.

For the Medical Board it covers the last 3 weeks of the renewal period and the full month of the late period. For the allied health professions it includes the full renewal period and one week of the late period. However it excludes the entire renewal period and late period for the Nursing and Midwifery Board of Australia.

Though not as complex as some renewal periods for other professions, the Nursing and Midwifery registrants include 63% of all practitioners registered under the National Scheme. Due to the size and the materiality of the renewal period the data from the survey period may need to reflect what the impact would have otherwise been if the study had occurred during the renewal period.

Therefore the data collected from the study period **are adjusted** from the current level of renewal activity collected as the impact on the survey data is likely to be material. Column 2 in the table at Appendix 2 highlights the impact of this change against the base data.

#### 5.1.2 Staff Identified Primarily to a Specific Board

Staff employed by National Office (and professional officers) carrying out activity for primarily a specific Board is not included in the survey data.

AHPRA employs in the National Board Services Division a number of Executive Officers and support staff who work primarily for specific Boards. To ensure that the final cost allocation is equitable, the impact of the hours worked and costs incurred by these staff **has been included** in the model.

### 5.2 Adjustments Not Considered

The following issues have been considered by management but have not been adjusted within the model.

#### 5.2.1 2012 Professions notification effort

The entry of the 4 Boards to the National Scheme from 1 July 2012 means that we are in the early stages of data gathering for notification activity and impact. It is anticipated that the level of notification matters in 2012/13 will be below long-term averages as the professions are now regulated nationally for the first time. History suggests that notification matters take some time to materialise (though there are transitional notification matters from legacy Boards where they existed in some jurisdictions).

It is difficult to forecast the period over which the long-term average for notification matters will occur as there is limited historical data. It is expected the actual effort in 2013/14 will still be below the long term average.

Therefore it is recommended the data collected from the study period are **not adjusted** from the current level of notification activity in the 2012 professions as there is insufficient data to estimate the long term average and the period it will take to achieve the long term average.

### 5.2.2 2012 Professions' application assessment and processing transition effort

Applications for the transitioning 2012 professions were to be received by 30 June 2012.

The assessment and processing of the applications for the transitioning Boards – Aboriginal & Torres Strait Islander Health Practice Board of Australia (ATSIHPBA), Chinese Medicine Board Australia (CMBA), Medical Radiation Practice Board of Australia (MRPBA), Occupational Therapy Board of Australia (OTBA) continued beyond 30 June 2012 with the majority of the workload completed by 30 September 2012 (except for Chinese Medicine where the work load was completed by 31 December 2012).

The survey period included 3 weeks of this work for ATSIHPBA, MRPBA and OTBA and the entire survey period for CMBA. For the ATSIHPBA, MRPBA and OTBA the data shows only a marginal increase in total effort for these 3 weeks compared to the entire study period. In addition the workload relating to CMBA occurred in the South Australia office which was not included in the survey sample, therefore not impacting on the sample results.

Therefore it is recommended the data collected from the study period are **not adjusted** from the current level of application processing activity in the 2012 professions as the impact is either marginal or excluded from the data sample.

### 5.2.3 2012 Queensland Notification Project

Queensland currently has a level of notification matters which may be higher than the long term average and extra resources have been allocated to ensure the higher level is reduced to a sustainable level.

This effort relates to only the notification section in Queensland. Given the notification team in Queensland were not included in the survey sample the data collected from the survey will be unaffected by this higher work load.

Therefore it is recommended the data collected from the study period are **not adjusted** from the current level of notification activity as the impact is excluded from the data sample. If it is determined that the notification work load results in a permanent increase in staffing, that will be reflected in subsequent allocation studies.

### 5.2.4 Pharmacy Examinations

The increased effort required by AHPRA staff to organise pharmacy examinations (in comparison to the other 13 Boards) is considerable throughout the year as there are 3 distinct periods for the actual exams (other Boards do not currently conduct exams). The survey period included part of one of these examination periods.

There is no evidence to suggest that the survey period included a particularly high or particularly low effort relating to pharmacy exams.

Therefore it is recommended that the data collected from the study period are **not adjusted** for any seasonality of Pharmacy exams as this activity is captured reasonably within the timesheet collation period. We also note that specific staff identified within Board Services allocated to the pharmacy examination process have been captured in the direct cost overlay to ensure accuracy and fairness to all Boards.

### 5.2.5 Pre-employment Structured Clinical Interview (PESCI) Fees

The effort required by AHPRA staff to manage PESCI is not a significant contributor to costs (approx 0.5% of total costs) throughout the year. There is no evidence to suggest that the survey period included a particularly high or particularly low effort relating to PESCI effort.

Therefore it is recommended the data collected from the study period are **not adjusted** for any seasonality of PESCI effort.

### 5.2.6 New activities for 2013/14

The survey period collected data from current activities. Any new activity for 2013-14 which would form part of the pool of costs to be allocated would need to be assessed for its impact.

However, we have identified a number of projects/activities that may have an impact on future costing outcomes post 1 July 2013. These include;

1. *Psychology exams*
2. *Performance assessments*
3. *Queensland notifications*
4. *Increase in practitioner audits*

For all of the above activities, we are yet to determine the level of activity/time. We would anticipate that such projects/activities are costed directly to the applicable Boards when information is available. Therefore it is recommended the data collected from the study period is **not adjusted** as there is insufficient data or information to assess any potential cost impact on the above activities.

## 6 Appendix 2 – Timesheet Data Build-up

Based on the methodology identified above, and considering the adjustments made, the following table illustrates the cumulative impact on the final cost allocation percentage (identified in the Executive Summary) for each adjustment made.

National Board	Base Timesheet Data (1)	NMBA Adjustment (2)	Sample Extrapolation (3)	Hourly Pay Rate Overlay (4)	FINAL Staff Identified Primarily to a Board Adjustments (5)
Driver	Hours	Hours	Hours	\$	\$
<b>Aboriginal and Torres Strait Islander Health Practice</b>	0.01%	0.01%	0.01%	0.01%	<b>0.19%</b>
<b>Chinese Medicine</b>	1.43%	1.32%	0.95%	0.94%	<b>1.06%</b>
<b>Chiropractic</b>	1.51%	1.40%	1.37%	1.33%	<b>1.42%</b>
<b>Dental</b>	6.32%	5.85%	5.84%	6.00%	<b>6.22%</b>
<b>Medical</b>	38.86%	35.92%	36.09%	37.17%	<b>35.60%</b>
<b>Medical Radiation</b>	1.32%	1.22%	1.19%	1.15%	<b>1.25%</b>
<b>Nursing and Midwifery</b>	30.90%	35.66%	36.34%	35.75%	<b>34.88%</b>
<b>Occupational Therapy</b>	2.26%	2.09%	2.09%	1.98%	<b>2.06%</b>
<b>Optometry</b>	0.68%	0.63%	0.61%	0.56%	<b>0.68%</b>
<b>Osteopathy</b>	0.31%	0.29%	0.27%	0.25%	<b>0.40%</b>
<b>Pharmacy</b>	5.59%	5.17%	5.09%	4.87%	<b>5.43%</b>
<b>Physiotherapy</b>	2.56%	2.81%	2.56%	2.40%	<b>2.43%</b>
<b>Podiatry</b>	0.60%	0.55%	0.51%	0.51%	<b>0.64%</b>
<b>Psychology</b>	7.65%	7.08%	7.08%	7.08%	<b>7.74%</b>
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	<b>100.00%</b>

- (1) Base timesheet data – This column represents the percentage cost allocation derived from the collation of the base timesheet data. There have been no adjustments made and no filtering of the results at this point.
- (2) NMBA adjustment. Refer Section 6.1.1. The NMBA registration period was not captured in the base data. Due to the size and the materiality of the renewal period for NMBA, the data from the survey period have been adjusted to reflect the impact on the data that would likely to have been noted if the study occurred during the NMBA renewal period.

In the absence of any suitable supporting data, management made an adjustment as follows;

The total number of hours of the 13 Boards conducting renewal during the timesheet period was calculated. The total number of hours deemed to be incurred in relation to the registration activity of the 13 Boards was then aligned with the number of registrants in NMBA and applied on a pro-rata basis.

- (3) Sample extrapolation – Notification and registration timesheet data is expectedly, significant as a total percentage of all data. However, given that notification and registration activities are heavily aligned to some Boards (eg. Medical Board has a higher level of notifications in comparison to its overall percentage of registrants). We ensured that the notification and registration data was normalised to ensure that data were not skewed towards one of the two activities as this would have caused potential bias to the results.
- (4) Hourly pay rate overlay – The first three columns above deal exclusively with the percentage of effort or hours identified for each Board. Given that the pool to be allocated is based on actual expenditure, the rate attributable to the hours incurred per person has been overlayed in this column. This ensures that processes or roles that require senior levels of involvement are correctly captured in the costs, thus providing a higher level of fairness and accuracy.
- (5) Staff identified primarily to a Specific Board – Some costs are easily allocated to a Board on a specific cost basis. Specific costs include staffing costs that are included in the AHPRA pool of allocated costs but can be identified by health profession and did not complete timesheets through the study period. These include the Executive Officers for National Boards, their support staff and professional officers. It has also been verified that these costs were not included in the sample survey data (or where they were, they have been removed from the sample data).

## 7 Appendix 3 – Audit Evidence

The timesheet sample data derived by AHPRA was of a significant size.

As detailed in the report, total head count within the National Scheme was 712 (including full and part-time staff). The survey sample was 335 (47% of all staff). We also note that a further 80 staff were not included in the sample but were costed directly to the pool (due to their Board specific roles) to ensure a greater level of accuracy in cost allocation.

This resulted in a combined staff population of 415 being covered by the cost allocation process. This equates to 58% of the National Scheme staff population.

To ensure that the information collated by management through the timesheet period could be relied upon, we conducted a number of assurance activities on the data provided. We focused on the completeness, validity and accuracy of timesheet data provided in the sample and also the aggregation of data by the AHPRA timesheet project team. Our tests included on a sample basis;

- An assessment of whether the sample data collated was in accordance with the sampling methodology stated in Section 4.1. This was done by state/territory and by function.
- Determine if any cost centres not included in the sampling methodology had been allocated time by staff.
- Verification that aggregation and analysis of data by management was based on the raw sample data provided in total.
- Match time recorded by staff (on a weekly basis) to payroll hours recorded to ensure completeness of time recorded.

During our testing we found a number of variations and these were followed up by management and then assessed for materiality (impact) on the final allocation result.

We acknowledge that there are some impediments in the process that would contribute to a level of error. These were known at the commencement of the project and are regarded as reasonable given the large sample size committed to by the project team. They include the following observations;

1. For many staff, this was the first time that they had been exposed to timesheet recording in their working lives. In the absence of formal management review of all timesheet inputs, some input errors are expected.
2. Timesheet data were entered via an input tool called Tenrox. While this tool was a simple and efficient way to record significant levels of data, system checks to ensure completeness or accuracy were not robust.
3. Some staff had involvement in functions or had responsibilities across various Boards and that the data entered by some staff may be inconsistent with the determined sample methodology parameters.

## **Conclusion**

The sample data incorporates a level of error. However this error was not unexpected. Management have provided suitable responses to deviations noted and corrected outliers where possible to enhance the accuracy of the final data.

On the basis that the sample was obtained by a significant percentage of the staff population (47%), this provides a greater level of confidence that errors noted in the testing would not have a material impact on the overall result and therefore, data can be relied upon for the purposes of cost allocation analysis.

When sample data are combined with a direct cost allocation overlay, accuracy is further enhanced.

Given that the proposed cost allocation percentage (see Section 2.5) is based on sample data and incorporates a number of other assumptions, we have provided a deviation range of +/- 5% of the proposed cost allocation percentage for management and Board consideration.

## 8 Limitations

This agreed upon procedures report has been prepared exclusively for AHPRA and is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this report.

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