

Protection of Residential Aged Care Accommodation Bonds

Audit Report No. 5, 2009-2010

Opening Statement by Mr Matt Cahill, Group Executive Director

JCPAA Review 25 November 2009

1. Thank you Chair. The audit which is the subject of today's inquiry is Audit Report No.5, *Protection of Residential Aged Care Accommodation Bonds*, which was conducted within the Office of Aged Care Quality and Compliance of the Department of Health and Ageing (DoHA). The audit was recently tabled on 17 September 2009.
2. Over the last decade, the ANAO's strategic audit approach to aged care has resulted in the targeted examination of a number of aged care programs. The ANAO has also conducted a number of performance audits of regulators in the Health and Ageing Portfolio.
3. The Australian Government, through DoHA, is responsible for regulating prudential requirements under the *Aged Care Act 1997*.
4. The aim of prudential regulation is to safeguard the significant and increasing bond holdings lodged by older Australians residing in aged care homes (currently around \$8 billion), while keeping the regulatory burden and costs to the aged care industry to a minimum. The scale of bond holdings, the self-managed model of stewardship, the ability of a large and diverse range of providers to make unfettered investment decisions relating to residents' funds, and ongoing structural changes in the aged care sector including the emergence of larger and more complex providers and the entry of major publicly listed corporations, present new challenges for DoHA.
5. Within this context, the ANAO concluded that the administrative framework established by DoHA does not sufficiently support effective regulatory oversight.
6. While the department has established some of the elements necessary to underpin a sound administrative framework, there were some key areas we identified as requiring attention in order to strengthen regulatory oversight.
7. The primary areas requiring further strengthening were:
  - the systematic assessment and treatment of prudential risks that have resulted from new and evolving threats;

- the expansion of DoHA’s regulatory activities to include whether bonds and bond income are being used for the purpose of providing aged care as established under the *Aged Care Act 1997* (the Act); and
  - the development of robust approaches to effectively identify and act upon instances of provider non-compliance with prudential regulations.
8. The ANAO made seven recommendations directed at:
- strengthening governance arrangements for effective regulation, including risk management and performance measurement;
  - addressing gaps in regulatory coverage;
  - improving management of prudential arrangements through better documentation of operational policies and compliance approaches, and improved management of regulatory data.
9. The department agreed to all recommendations.
10. Finally, I have with me today two members of the audit team to assist the Committee in its inquiry, Mr Steven Lack, Executive Director, who oversaw this audit and Mr Mark Simpson, the Audit Manager.