

PARLIAMENTARY INQUIRY QUESTION ON NOTICE

Department of Health

Standing Committee on Community Affairs

**Inquiry into the Aged Care Legislation Amendment (Financial Transparency)
Bill 2020**

Written Question Received: 9 September 2020

PDR Number: IQ20-000620

Financial transparency in use of Government funds in aged care

Written

Senator: Wendy Askew

Question:

The committee notes that the Prime Minister's response to the Aged Care Royal Commission Interim Report on 25 November 2019 indicated that longer-term reforms to the aged care system of care in Australia would be 'guided by the final recommendations of the Royal Commission'.

On 9 September 2020, the Royal Commission published Research Paper 12 – Report on the profitability and viability of the Australian aged care industry, an independent review which found that there was insufficient financial transparency about the use of Government funds for aged care.

- a. Would the provisions of the bill serve to address concerns outlined in that research paper, as well as submissions to the current inquiry, about reporting obligations, transparency and data collection to improve financial transparency in aged care?
- b. Does the Department of Health anticipate specific recommendations will be made by the Royal Commission in relation to financial transparency of aged care facilities?

Answer:

a) The *Aged Care Legislation Amendment (Financial Transparency) Bill 2020*, sponsored by Senator Stirling Griff, and explanatory memorandum do not address the issues raised in *Research Paper 12 – Report on the profitability and viability of the Australian aged care industry* (Research Paper 12). This research paper considers the profitability and viability of the aged care sector, with particular focus on the financial operating models of residential aged care providers. While it considers transparency in relation to assessing profitability and viability, the research report does not consider transparency in relation to detailed costs and expenditure. Research Paper 12 was prepared for the information of the Royal Commission into Aged Care Quality and Safety (the Royal Commission) and does not

necessarily reflect the views of the Commissioners. Information about financial reporting and transparency has been provided to the Committee in IQ20-000619.

b) The Royal Commission has not yet made any recommendations. The Royal Commission has commissioned a range of research and has heard from a number of witnesses in relation to the funding, financing and prudential regulation of aged care to inform its deliberations. The Royal Commission will make recommendations in line with its terms of reference, and has indicated that longer term reforms will be outlined in their final report in February 2021.

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Department of Health

Standing Committee on Community Affairs

**Inquiry into the Aged Care Legislation Amendment (Financial Transparency)
Bill 2020**

Written Question Received: 9 September 2020

PDR Number: IQ20-000623

Public availability of aged care financial reporting:

Written

Senator: Wendy Askew

Question:

Item 4 of the bill introduces a new subsection 296(1C) in the Corporations Act 2001 to specify that aged care providers who receive over \$10 million in Commonwealth funding must comply with the Tier 1 accounting standards in preparing their yearly financial reports.

- a. Does the Department of Health currently monitor the public financial reporting of aged care providers in receipt of Commonwealth funding?
- b. Is the Department aware of the rate at which aged care providers are currently making their General Purpose Financial Reports in accordance with the Tier 2 simplified accounting requirements, rather than Tier 1?

Answer:

- a. As per in IQ20-000619, the *Aged Care Act 1997* (the Act) sets out the reporting responsibilities of providers, including the annual submission of the Aged Care Financial Report (ACFR).

The Department will use the ACFR as the first point of reference in monitoring the financial reporting of aged care providers in receipt of Commonwealth funding.

Where available, the Department will also consider other publicly available reports that providers are required to make available in the public domain. This includes the financial reports of those publicly listed companies, as well as the not-for-profit reports available on the Australian Charities and Not-for-profits Commission (ACNC). These reports will be used to provide assurance around the ACFR reports provided to the Department.

The Aged Care Financing Authority publicly reports the performance and position of the aged care sector in its annual report on the Funding and Financing of the Aged Care Sector.

- b. The majority of the General Purpose Financial Statements received by the Department of Health are Tier 2, reduced disclosure financial reports. Only those for-profit providers who have been assessed by their auditors as publicly accountable in accordance with *AASB 1053 Tiers of Australian Accounting Standards*, are required to report under Tier 1 arrangements. Providers who are listed on the ASX all comply with Tier 1 requirements.

The majority of for-profit providers meet Tier 2 reduced disclosure requirements.

Under the accounting standards, not-for-profit providers have the choice of which tier of reporting that they meet. The majority choose to meet the requirements of reduced disclosure under Tier 2.