



Australian Government
Department of Health and Ageing

DEPUTY SECRETARY

Mr Russell Chafer
Secretary
Joint Committee of Public Accounts and Audit
Department of the House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Chafer

Joint Committee of Public Accounts and Audit (JCPAA) Questions on Notice:
Protection of Residential Aged Care Accommodation Bonds and Planning and Allocating Aged Care Places and Capital Grants

I refer to the Questions on Notice received by the Department of Health and Ageing (the Department) on 15 January 2010 in relation to the JCPAA hearing on 25 November 2009.

The Department's answers to the Questions on Notice in relation to Audit No. 5 (2009-10) *Protection of Residential Aged Care Accommodation Bonds* are provided at Attachment A.

The Department's answers to the Questions on Notice in relation to Audit No. 40 (2008-09) *Planning and Allocating Aged Care Places and Capital Grants* are provided at Attachment B.

Yours sincerely


Mary Murnane
Deputy Secretary

19 February 2010

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 1

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
AUDIT NO. 05 (2009-10): *Protection of Residential Aged Care Accommodation Bonds*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

1. (reference: pp. 52-57 of the audit)

Given the high (and increasing) value of accommodation bond holdings, and acknowledging DoHA's response to recommendation 1, what work has DoHA undertaken considering the risk of the global financial downturn on bond holdings, and how to manage and mitigate such risk? Why were relevant operational and business plans (for PRB and OACQC) not updated with any consideration?

Answer:

The Department of Health and Ageing (the Department) has monitored several key factors affecting prudential risks such as trends in the profitability of approved providers and the impact of the global financial downturn on the sector. This included meeting with a number of major aged care financiers as the global financial downturn began to unfold to assess the risks and implications for aged care.

Following the Australian National Audit Office (ANAO) report, the Department took a number of steps in its 2009-10 business planning to extend the scope of risk analysis to include a broader range of regulatory risks, including monitoring of the largest approved providers in aged care to assess financial and compliance risks.

The Prudential and Approved Provider Regulation Branch monitors trends in the aged care industry, and following the outcomes of the ANAO report, has commenced formal updating of operational and business plans in response to any significant prudential risks identified.

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 2

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
AUDIT NO. 05 (2009-10): *Protection of Residential Aged Care Accommodation Bonds*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

2. (reference: p.50 of the audit)

The ANAO notes the regulator (PRB) has had a role in several cases in departmental efforts to transfer ownership from a troubled providers to a new provider, such as through negotiating ownership or service delivery matters, and that this may pose risks to the perceived objectivity and impartiality of a regulator. The ANAO notes that formally recognising risks and considering mitigation strategies in such cases would help the department manage potentially conflicting roles and responsibilities.

Does DoHA intend to formally record such risks and mitigation strategies?

Answer:

The transfer of aged care services between approved providers is governed by the *Aged Care Act 1997* (the Act). The decision regarding the transfer of aged care services is made by a separate delegate outside of the Prudential and Approved Provider Regulation Branch and the decision is made against the requirements stated in the Act.

The Prudential and Approved Provider Regulation Branch has adopted a more detailed approach to the identification of those internal risks that may affect the effectiveness of its administration of the prudential framework, including the management of approved providers in financial difficulty.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 3

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
AUDIT NO. 05 (2009-10): *Protection of Residential Aged Care Accommodation Bonds*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

3. (reference: p.74 of the audit)

The ANAO found that the current prudential regulation record-keeping practices did not provide an assurance that DoHA had promulgated lessons learned from earlier audits, which had made recommendations for improvements to record-keeping.

What actions does DoHA intend to take to improve their record keeping procedures?

Answer:

Staff in Prudential and Approved Provider Regulation Branch have been reminded of obligations and responsibilities for record keeping and are receiving formal training on Departmental records management policies and procedures. A guidance manual on record keeping procedures is being developed and will be provided to all staff in Prudential and Approved Provider Regulation Branch.

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 4

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
AUDIT NO. 05 (2009-10): *Protection of Residential Aged Care Accommodation Bonds*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

4. (reference: pp.77-78 of the audit)

DoHA informed the ANAO that the Prudential and Approved Provider Regulation Branch (PRB) had not established a documented risk-based strategy or compliance schedule, but that it was part of the forward program of work. The ANAO recommended that DoHA document its compliance strategy, promulgate the strategy to internal and external stakeholders, and routinely review the strategy.

What progress has DoHA made in reviewing its *User Guide to the Regulation of Approved Providers Holding Accommodation Bonds* to document its compliance strategy in further detail?

Answer:

Information on the Department's prudential compliance strategy has been reviewed and updated and is now published in the *Residential Care Manual 2009, Edition 1*, released in September 2009. This replaces the information previously contained in the *User's Guide to the Regulation of Approved Providers Holding Accommodation Bonds*.

The Prudential and Approved Provider Regulation Branch is updating information on its prudential compliance strategy, including providing information that the Department uses in assessing compliance and the ways the Department may respond to a range of non-compliance risks. The updated strategy will balance the need to provide more detailed information on the Department's assessment of prudential compliance with the risk that some approved providers may use the information to attempt to evade their regulatory responsibilities.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 5

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
AUDIT NO. 05 (2009-10): *Protection of Residential Aged Care Accommodation Bonds*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

5. (reference: p.88 of the audit)

The ANAO noted that at least one case had arisen where a contracted processing firm that processes Annual Prudential Compliance Statements from providers had incorrectly processed a qualified audit opinion as being fully compliant (based on the advice of the provider). The ANAO suggested that DoHA could undertake a risk-based approach to review audit opinions or better utilise contracted resources.

What action will DoHA undertake to minimise the likelihood of not fully taking into account an auditor's opinion?

Answer:

The case where an audit opinion was incorrectly processed occurred in the 2006-07 Annual Prudential Compliance Statement return, and the Prudential and Approved Provider Regulation Branch subsequently implemented a policy whereby all audit opinions are reviewed by Departmental staff, irrespective of whether the Annual Prudential Compliance Statement was referred by the contractor for consideration. However work is underway to move to a risk-based approach.

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 6

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
AUDIT NO. 05 (2009-10): *Protection of Residential Aged Care Accommodation Bonds*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

6. (reference: p.95 of the audit)

The ANAO found that departmental investigators do not generally seek evidence to corroborate statements about remedial action made by aged care providers, who have been contacted by the department to undertake corrective action, in response to cases of prudential non-compliance. The ANAO suggested the DoHA adopt a risk-based approach to collecting evidence to demonstrate remediation of non-compliance.

Has DoHA taken any action to adopt such a risk-based approach?

Answer:

The Prudential and Approved Provider Regulation Branch currently adopts a risk-based approach to seeking evidence from approved providers to demonstrate remediation of non-compliance, particularly seeking evidence where the non-compliance represented a potential risk to the security of residents' accommodation bonds, such as in cases of non-compliance with the Liquidity Standard.

The Prudential and Approved Provider Regulation Branch will continue to build on its risk-based approach for seeking evidence of remediation of non-compliance as part of the work to update its prudential compliance strategy. The Prudential and Approved Provider Regulation Branch is working with the Department's State and Territory Offices (STOs) to develop a prudential 'check list' of the types of evidence that could be sought when resolving prudential-related complaints. The Prudential and Approved Provider Regulation Branch is also working to develop procedural documentation regarding evidence to be sought to demonstrate remediation of prudential non-compliance.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 1

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
Audit No. 40 (2008-09): *Planning and Allocating Aged Care Places and Capital Grants*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

1. (reference: pp. 15, 54 of the audit)

DoHA states in the report that the Government is planning to undertake a review of the aged care planning ratios and allocation process. DoHA stated that recommendation 1 of the report (regarding the application of the ratio to account for state and territory demographic and health differences) would be considered as part of this review.

Has this review commenced? Can DoHA provide an overview of the review? Has it considered the ANAO's recommendation?

Answer:

The Government has indicated that it will provide a reference to the Productivity Commission to undertake a public inquiry into aged care in Australia. This inquiry will examine the needs of Australia's aged persons for the next 20 years and look at appropriate standards and funding arrangements to secure the best outcomes from aged care services. It is anticipated that the inquiry will consider issues around the planning and allocation of services.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 2

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
Audit No. 40 (2008-09): *Planning and Allocating Aged Care Places and Capital Grants*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

2. (reference: p. 49 of the audit)

The ANAO notes that:

It would be preferable if DoHA did not have to reallocate places to the Indigenous population aged 50-69 that would be allocated to the entire Australian population aged 70 and over.

DoHA could provide advice to the Minister for Ageing on options for incorporating the Indigenous population aged 50-69 into the planning ratio target.

Has DoHA, or does DoHA intend to, provide such advice to the Minister?

Will the government's review also consider specifically allocating extra places for special needs groups, particularly Indigenous Population aged 50-69 (which would involve increasing the target ratio to accommodate this group)?

Answer:

The Government has indicated that it will provide a reference to the Productivity Commission to undertake a public inquiry into aged care in Australia. This inquiry will examine the needs of Australia's aged persons for the next 20 years and look at appropriate standards and funding arrangements to secure the best outcomes from aged care services. It is anticipated that this inquiry will consider issues around the planning and allocation of services.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 3 and 4

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
Audit No. 40 (2008-09): *Planning and Allocating Aged Care Places and Capital Grants*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

3. and 4. (reference: pp.70-72 of the audit)

The ANAO found that DoHA was unable to provide specific data or estimates on the costs and funding approach related to the planning and allocation of aged care places and capital grants. They also found that DoHA has not systematically considered the resourcing of the planning and allocation of aged care places and capital grants. The ANAO recommended that DoHA put in place appropriate costing arrangement that track the costs of key components of the ACAR.

DoHA's response to the recommendation does not explain how the Department proposes to address the ANAO recommendation: given that in the future the ACAR process would become more costly because of higher demand, with a possible need to allocate resources on a risk-based approach, what action has been taken, or is planned to be taken, to implement this recommendation?

Answer:

As part of the Business Planning exercise for 2009-10, the Ageing and Aged Care Division and the Office of Aged Care Quality and Compliance undertook an exercise to improve the quality and consistency of resource allocations for aged care activities to ensure that the resource allocation was accurate for the round and affected activities. The results of this exercise were then submitted as part of the Business Plan for both of the Divisions which have responsibility for aged care programs.

The allocation of resources to competing and emerging priorities, more generally, is a matter for all Departmental managers.

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

25 November 2009

Question no: 5

OUTCOME 4: Aged Care and Population Ageing

Topic: REVIEW OF AUDITOR-GENERAL'S REPORTS
Audit No. 40 (2008-09): *Planning and Allocating Aged Care Places and Capital Grants*
(Department of Health and Ageing)

Written Question on Notice

Question asked:

5. (reference: p. 91 of the audit)

The ANAO found that DoHA is not in a strong position to monitor whether providers meet their conditions of allocation, and significant improvements could be gained by DoHA consolidating its records of conditions of allocation and building a capacity to monitor these conditions.

What actions, if any, are DoHA taking to improve post-allocation monitoring of providers (for example physical inspections)? May DoHA provide an update on the enhancement of its Places Tracker IT system to develop a capability to undertake systematic and IT-assisted scrutiny on a centralised and coordinated basis?

Answer:

Since 2007, the Department has entered conditions of allocation into the National Approved Provider System (Places Tracker). The Department is undertaking work to incorporate information on past allocations into this system. This is a large task requiring manual data entry of information held in a variety of different forms and records systems including paper based files in state and territory offices of the department. The compilation of this information in the system in a readily available form is a necessary pre-cursor to more actively monitoring conditions of allocation from allocations prior to 2007.