

## Chapter 3

### Annual reports of Commonwealth entities and companies

#### Health Portfolio

3.1 The committee received the 2017–18 annual reports of Commonwealth entities and companies within the Health Portfolio as listed at Appendix 1. The committee examined the reports of the following entities in further detail:

- Australian Aged Care Quality Agency (Quality Agency);
- National Health Funding Body (NHFB); and
- Australian Digital Health Agency.

#### *Australian Aged Care Quality Agency*

3.2 The Quality Agency was a non-corporate Commonwealth entity established under the *Australian Aged Care Quality Agency Act 2013* to hold aged care providers accountable:

...for their performance against the accreditation Standards for residential aged care, the Home Care Standards for home care services, Quality Review of National Aboriginal and Torres Strait Islander Flexible Care Services.<sup>1</sup>

3.3 As noted in Chapter 1, this is the last full annual report of the Quality Agency, which ceased operation on 31 December 2018 and was superseded by the Aged Care Quality and Safety Commission on 1 January 2019.

3.4 In his report, the Chief Executive Officer, Mr Nick Ryan, focused on the Quality Agency's role in improving quality outcomes for consumers by:

- strengthening risk-based regulation to identify and respond to risk in a targeted way;
- piloting the new Aged Care Quality Standards, including new guidance material and delivering education to support providers to implement the standards;
- implementing unannounced re-accreditation audits;
- delivering a series of provider roundtables in partnership with Aged and Community Services Australia, the Aged Care Guild and Leading Aged Care Services Australia; and
- publishing Consumer Experience Reports for residential services and commencing work on Consumer Experience Reports for home and community services.<sup>2</sup>

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1 Australian Aged Care Quality Agency (Quality Agency), *Annual report 2017–18*, p. 4.

2 Quality Agency, *Annual report 2017–18*, p. 1.

3.5 During the 2017–18 reporting period, the Quality Agency reported against its performance criterion to ensure:

...high quality care for persons receiving Australian Government subsidised aged care through the efficient and effective delivery of services under the *Australian Aged Care Quality Agency Act 2013* and in accordance with the *Quality Agency Principles 2013*.<sup>3</sup>

3.6 The Quality Agency exceeded all four targets set in the portfolio budget statements and it achieved 23 of the 35 performance measures set in its corporate plan.<sup>4</sup> The Quality Agency noted that the 12 performance measures not achieved were either ongoing, including measures relating to the transition to the new regulatory regime, or that the agency was working towards meeting the measures.<sup>5</sup>

3.7 During the reporting period, the aged care sector and the operations of the Quality Agency were considered at Senate estimates and in parliamentary inquiries, including the Senate Community Affairs References Committee's inquiry into *Effectiveness of the Aged Care Quality Assessment and Accreditation Framework for protecting residents from abuse and poor practices, and ensuring proper clinical and medical care standards are maintained and practised* and the House of Representatives Standing Committee on Health, Aged Care and Sport inquiry into *Quality of Care in Residential Aged Care Facilities in Australia*.<sup>6</sup>

3.8 Aged care quality and safety continues to be an area of interest and concern to the committee. The committee notes that since the end of the reporting period the new Aged Care Quality Standards have been introduced and the Royal Commission into Aged Care Quality and Safety has commenced.

3.9 The Quality Agency's appropriation for the 2017–18 financial year totalled \$27.285 million and this was supplemented by the sale \$15.436 million in goods and services and \$164 390 of other revenue.<sup>7</sup> The Quality Agency recorded a break even position for the financial year, with a surplus of \$9507 before depreciation and a net deficit of \$1.03 million, less than the \$1.37 million deficit forecast in the portfolio budget statements.<sup>8</sup>

3.10 Overall, the annual report provides a useful insight into the work of the Quality Agency and highlights some of its key achievements over the reporting year.

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3 Quality Agency, *Annual report 2017–18*, p. 47.

4 Quality Agency, *Annual report 2017–18*, pp. 47–53.

5 Quality Agency, *Annual report 2017–18*, pp. 47–53.

6 Senate Community Affairs References Committee, *Effectiveness of the Aged Care Quality Assessment and Accreditation Framework for protecting residents for abuse and poor practices, and ensuring proper clinical care standards are maintained and practised*, April 2019, pp. 109–110; House of Representatives Standing Committee on Health, *Report on the Inquiry into the Quality of Care in Residential Aged Care Facilities in Australia*, Parliamentary Paper 109/2018.

7 Quality Agency, *Annual report 2017–18*, p. 44.

8 Quality Agency, *Annual report 2017–18*, p. 44.

3.11 The committee thanks Mr Nick Ryan and the staff of the Quality Agency for their hard work and looks forward to working with the Aged Care Quality and Safety Commission.

### ***National Health Funding Body***

3.12 The NHFB is a non-corporate Commonwealth entity established under the *National Health Reform Act 2011* to support the obligations and responsibilities of the Administrator of the National Health Funding Pool, who is responsible for providing advice and administering payments relating to public hospital funding.<sup>9</sup>

3.13 During the reporting year, the NHFB assisted the Administrator to pay over \$46 billion dollars to Local Hospital Networks by processing over 4000 banking transactions and preparing over 1800 financial reports. This is an increase on the \$43.4 billion paid in 2016–17, when the NHFB made 5239 banking transactions and prepared 1788 financial reports.<sup>10</sup>

3.14 The NHFB also made progress during the reporting period towards modernising its payment systems, enhancing its integrity capabilities and strengthening the Commonwealth Contribution Model to enhance the ability of the Administrator to provide advice to the Commonwealth Treasurer about public hospital funding requirements.<sup>11</sup>

3.15 During the reporting period, the NHFB assessed its performance based on 20 performance criteria. Of these criteria, 12 were fully met, six were substantially met and two were partially met.<sup>12</sup>

3.16 The NHFB explained that some of the performance criteria relating to its reporting obligations and the production of key policy documents were hindered because the role of Administrator was vacant for the last quarter of the reporting year.<sup>13</sup> The NHFB notes that following the appointment of the Administrator in July 2018 those criteria have now been met or are in the process of being addressed.<sup>14</sup> The NHFB also noted that the measures that had only partially been met were prioritised in 2018–19 and have now been completed.<sup>15</sup>

3.17 In considering the NHFB report and a number of other reports submitted by non-corporate entities, the committee notes that there appears to be some confusion about the requirements relating to reporting on fraud control measures. In addition to

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9 *National Health Reform Act 2011*, s. 251; National Health Funding Body (NHFB), *Annual Report 2017–18*, p. 4.

10 NHFB, *Annual report 2016–17*, p. 2.

11 NHFB, *Annual report 2017–18*, p. 19.

12 NHFB, *Annual report 2017–18*, p. 19.

13 NHFB, *Annual report 2017–18*, p. 19.

14 NHFB, *Annual report 2017–18*, p. 19.

15 NHFB, *Annual report 2017–18*, p. 19.

section 10 of the Public Governance, Performance and Accountability Rule 2014, subsection 17AG(2) relevantly provides:

**17AG Information on management and accountability**

...

- (2) The annual report must include the following:
- (a) information on compliance with section 10 (which deals with preventing, detecting and dealing with fraud) in relation to the entity during the period;
  - (b) a certification by the accountable authority of the entity that:
    - (i) fraud risk assessments and fraud control plans have been prepared for the entity; and
    - (ii) appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place for the entity; and
    - (iii) all reasonable measures have been taken to deal appropriately with fraud relating to the entity;
  - (c) an outline of the structures and processes that are in place for the entity during the period to implement the principles and objectives of corporate governance;

...

3.18 The committee notes that departments and agencies have interpreted the requirement for certification differently. In some cases, entities have included a stand-alone statement signed by the accountable authority that certifies that the appropriate fraud control measures are in place.<sup>16</sup> Some other entities have included the statement in the transmittal letter that is signed by the accountable authority to satisfy the requirement.<sup>17</sup>

3.19 The NHFB, like a number of other agencies during the reporting period, has provided information in its annual report that advises that 'all reasonable measures to appropriately deal with fraud' including investigation and detection measures have been taken and that an appropriate system of risk management exists that complies with section 10 of the *Public Governance, Performance and Accountability Act 2013* and the Commonwealth Fraud Control Policy.<sup>18</sup>

3.20 The committee considers that these statements satisfy the requirement in rule 17AG(2)(a), but do not satisfy the requirement in paragraph 17AG(2)(b).

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16 See, Department of Health, *Annual report 2017–18*, p. 140.

17 See, National Health and Medical Research Council, *Annual report 2017–18*, p. iii; Australian Sports Anti-Doping Authority, *Annual report 2017–18*, p. v.

18 NHFB, *Annual report 2017–18*, p. 60.

3.21 This confusion is understandable as there appears to be little to guide non-corporate entities about this aspect of their reporting requirements.<sup>19</sup> The committee considers that certification requires the statement to be made over the signature of the accountable entity. This could be either in the transmittal letter or elsewhere in the annual report.

3.22 While this may seem technical, the Australian Institute of Criminology's report, *Statistical Report 07: Commonwealth fraud investigations 2015–16*, found that the Commonwealth lost \$25.6 million due to fraud in 2015–16.<sup>20</sup>

3.23 The committee takes this opportunity to remind entities about the importance of fraud measures and proper reporting on them. To instil confidence in the proper use of public money, the committee would like to invite non-corporate entities to provide a greater level of detail about their fraud detection and deterrence measures in future annual reports.

3.24 The committee thanks the NHFB for an excellent report that provides clear insight into the work of the NHFB in supporting the Administrator and provides a transparent account of the operations of the agency.

#### ***Australian Digital Health Agency***

3.25 The Australian Digital Health Agency (ADHA) is a corporate entity established under the Public Governance, Performance and Accountability (Establishing the Australian Digital Health Agency) Rule 2017.

3.26 The ADHA exists to 'improve health outcomes for Australians through the delivery of digital innovation, health systems and services'.<sup>21</sup> The ADHA's primary products and services include the My Health Record system, the Healthcare Identifiers Service, National Authentication Service for Health, Secure messaging delivery, Australian Medicines Terminology, SNOMED-AU and clinical document specifications.<sup>22</sup>

3.27 Chapter 2 of ADHA's annual report focussed on performance. In that chapter, the ADHA provided significant detail about the work that it is undertaking to meet the goals of the agency, including detail about the National Digital Health Strategy and its priority activities. However, the committee would have appreciated a clear statement about whether each performance target had been met.

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19 The [Explanatory Memorandum to the Public Governance, Performance and Accountability Amendment \(Non-corporate Commonwealth Entity Annual Report\) Rule 2016](#), Australian Government, [Commonwealth Fraud Control Framework 2017](#), p. C19 and the Attorney-General's Department, [Resource Management Guide 201: Protecting, detecting and dealing with fraud](#), August 2017, p. 22 state the certification requirement but do not provide further guidance about the requirement.

20 Australian Institute of Criminology, [Statistical Report 07: Commonwealth fraud investigations 2015–16](#), June 2018, p. viii.

21 Australian Digital Health Agency (ADHA), *Annual report 2017–18*, p. 16.

22 ADHA, *Annual report 2017–18*, p. 17.

3.28 While the ADHA provided a table which described its 'outcome' against each target, where a target had not been met, no additional information was provided.<sup>23</sup>

3.29 The ADHA noted that the targets for the reporting year did not take into account the December 2018 targets, which it considered were 'the focus for much of the Agency's work'.<sup>24</sup>

3.30 The committee recognises that entities may not always meet their targets, or that their primary work objectives and the reporting year may not necessarily align. However, where work is ongoing or progress is still being made toward the objective, the committee considers a brief statement could be included that explains whether the agency is taking action to ensure that the objective will be met in the next reporting year.

3.31 The committee considers that the absence of those statements made it somewhat difficult to achieve a clear read between the portfolio budget statements, the corporate plan and the annual report to obtain a clear picture of the performance of the ADHA and suggests that the ADHA may wish to revisit its layout for the next reporting year.

3.32 The committee considers the ADHA's report to be satisfactory.

### **Social Services Portfolio**

3.33 The committee was referred the 2017–18 annual reports of Commonwealth entities and companies within the Social Services Portfolio as listed at Appendix 1. The committee selected the National Disability Insurance Agency's (NDIA) annual report to examine in further detail.

#### ***National Disability Insurance Agency***

3.34 The NDIA is a corporate Commonwealth entity established under the *National Disability Insurance Scheme Act 2013* to implement the National Disability Insurance Scheme. The NDIS represents a significant part of the Commonwealth Government's *National Disability Strategy 2010–2020*.

3.35 The NDIA's annual report for 2017–18 details major achievements and challenges in the agency's operation as it entered the fifth year of the scheme's rollout, including significant growth in participation rates (from 90 638 participants in 2016–17 to 183 965 in 2017–18)<sup>25</sup> and the addition of Western Australia to the scheme.<sup>26</sup>

3.36 As in previous years, the Scheme Actuary, Ms Sarah Johnson, reported on several pressures on the scheme that 'require management responses' as part of the

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23 ADHA, *Annual report 2017–18*, pp. 74–75.

24 ADHA, *Annual report 2017–18*, p. 74.

25 National Disability Insurance Agency (NDIA), *Annual report 2016–17*, p. 19; NDIA, *Annual report 2017–18*, p. 68.

26 NDIA, *Annual report 2017–18*, pp. 7–8, 70.

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financial sustainability report, including: higher than expected numbers of children in the scheme with autism, developmental delay and sensory disabilities; lower than expected numbers of people transitioning out of the scheme after early intervention; and higher than expected costs for shared support accommodation.<sup>27</sup>

3.37 In the committee's assessment of the NDIA's annual report for 2016–17, it commented on these financial pressures:

Whilst not a requirement under the PGPA Rules, the committee encourages the NDIA to consider if noting its response to the pressures on the scheme would enhance the completeness of its reporting.<sup>28</sup>

3.38 The committee is pleased to see that the NDIA's annual report for 2017–18 includes discussion of management responses to financial pressures.<sup>29</sup>

3.39 The committee notes that the annual performance statements included in the NDIA's annual report were well presented and clearly linked to the corporate plan and the portfolio budget statements, providing comprehensive footnotes explaining corrections and/or deviations between the three performance framework documents.<sup>30</sup>

3.40 Commentary provided about performance against each target was of particular assistance in instances where targets were not achieved. For example, despite significant growth in the number of scheme participants, the NDIA did not meet its participation target as set out in the portfolio budget statements (i.e. the number of participants entering the Scheme as per bilateral agreements and actuarial forecasts) – the total number of participants at 30 June 2018 represented only 76 per cent of the scheme-to-date bilateral estimate and 69 per cent of the 2017–18 actuarial estimate. However, the commentary included in the annual performance statements explains that these figures reflect:

...existing challenges within the Scheme, including the difficulty in locating people transferring to the Scheme from state-based programs, the rapid growth of the Scheme, and the geographic diversity of participants.<sup>31</sup>

3.41 The committee acknowledges these challenges faced by the NDIA and commends the agency on achieving a 90 per cent operational target for participation, where 90 per cent of participants who could be contacted, who met access requirements and whose records were provided received approved participation plans.<sup>32</sup>

3.42 The committee considers the report of the NDIA to be satisfactory.

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27 NDIA, *Annual report 2017–18*, p. 59.

28 Senate Community Affairs Legislation Committee, *Annual reports (No. 1 of 2018)*, p. 24.

29 NDIA, *Annual report 2017–18*, p. 60.

30 NDIA, *Annual report 2017–18*, pp. 65–69.

31 NDIA, *Annual report 2017–18*, p. 68.

32 NDIA, *Annual report 2017–18*, p. 68.

**Senator Lucy Gichuhi**  
**Chair**