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Aged Care Quality and Safety Commission

Financial and prudential regulation

Supporting you for improved outcomes for older Australians

Date: 15 August 2023





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Acknowledgement of Country

In the spirit of reconciliation the Aged Care Quality and Safety Commission acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.





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Prudential regulation at the Commission

- Large investment by older Australians - \$35 billion refundable accommodation deposits (RADs) in the sector
- Initially responsible for monitoring provider compliance with regard to charging, holding and RADs
- Provider financial viability now monitored by the Commission (commenced on 1 July 2023)



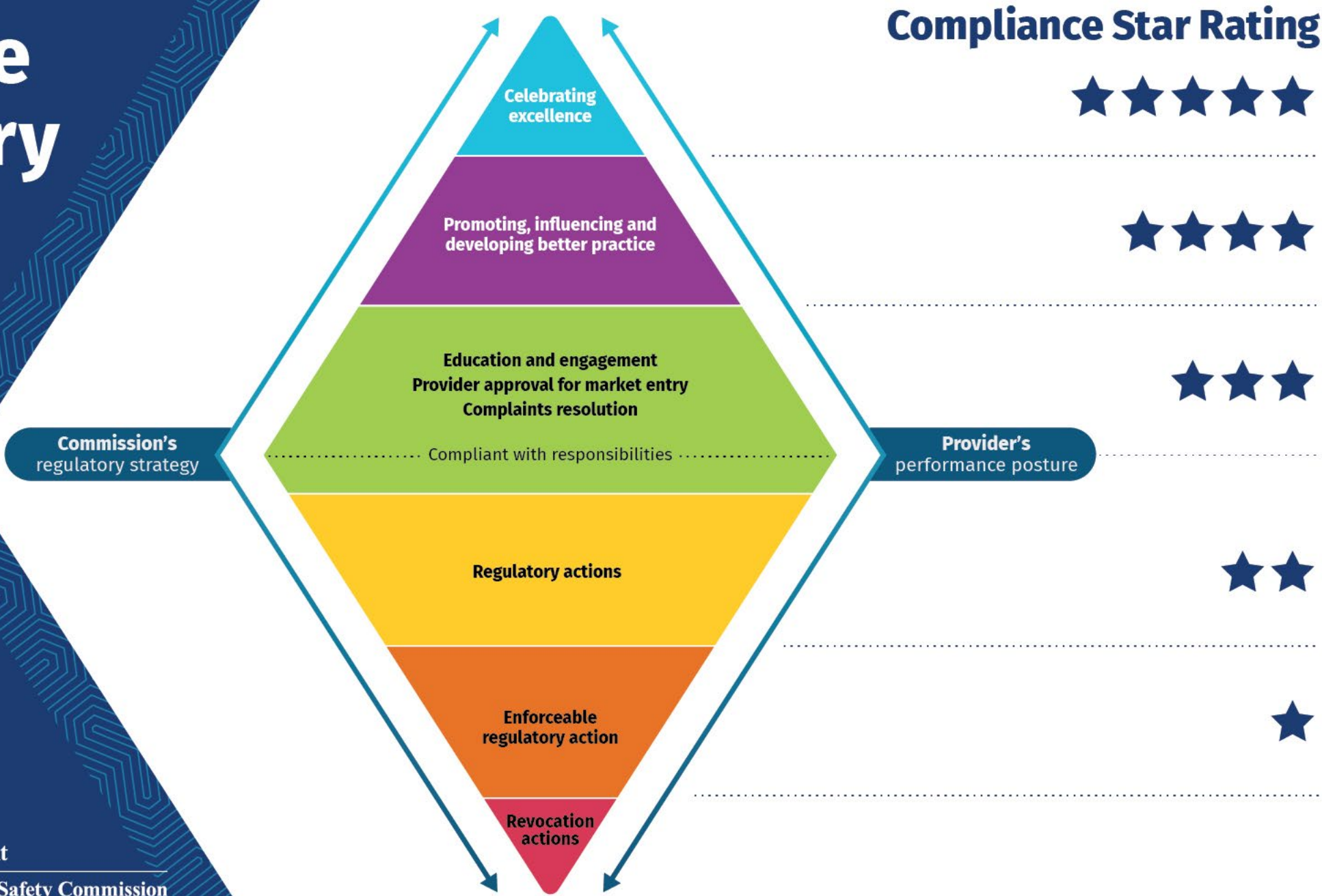


Prudential regulation – Royal Commission recommendations

- Recommendation 130: **Responsibility for prudential regulation**
- Recommendation 131: **Establishment of Prudential Standards**
- Recommendation 132: **Liquidity and capital adequacy requirements**
- Recommendation 133: **More stringent financial reporting requirements**



Aged care regulatory diamond





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Assessment, Investigation and Compliance

- Prudential compliance case management
- Assessment of aged care provider financial reports





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Aged Care Financial Reports Calendar 2023							
Report title	Report period	Report due date	QFR portal open	Requirements	Provider type	Third party audit report required	Your notes
December Quarterly Financial Report (QFR) s43 of the Accountability Principles	Quarter 2: October to December 2022	14 February 2023 (within 45 days after the end of quarter)	1 January 2023	<input type="checkbox"/> States and territories, their authorities and local government authorities must have an authorised member of their key personnel sign this report. <input type="checkbox"/> All other providers must have this report signed by a director of the body corporate or a member of the governing body for unincorporated providers.	All approved providers	<input checked="" type="checkbox"/>	
March Quarterly Financial Report (QFR) s43 of the Accountability Principles	Quarter 3: January to March 2023	5 May 2023 (within 35 days after the end of a quarter)	1 April 2023	<input type="checkbox"/> States and territories, their authorities and local government authorities must have an authorised member of their key personnel sign this report. <input type="checkbox"/> All other providers must have this report signed by a director of the body corporate or a member of the governing body for unincorporated providers.	All approved providers	<input checked="" type="checkbox"/>	
June Quarterly Financial Report (QFR) s43 of the Accountability Principles	Quarter 4: April to June 2023	4 August 2023 (within 35 days after the end of a quarter)	1 July 2023	<input type="checkbox"/> States and territories, their authorities and local government authorities must have an authorised member of their key personnel sign this report. <input type="checkbox"/> All other providers must have this report signed by a director of the body corporate or a member of the governing body for unincorporated providers.	All approved providers	<input checked="" type="checkbox"/>	
Aged Care Financial Report (ACFR) s35 of the Accountability Principles	July 2022 to June 2023	31 October 2023 (within 6 months of the end of a financial year)	Not applicable	<input type="checkbox"/> States and territories, their authorities and local government authorities must have an authorised member of their key personnel sign this report. <input type="checkbox"/> All other providers must have this report signed by a director of the body corporate or a member of the governing body for unincorporated providers. <input type="checkbox"/> Non-government approved providers of residential care must lodge their ACRF to the Department of Health and Aged Care (the Department).	All approved providers	<input checked="" type="checkbox"/>	
Annual Residential Compliance Statement (ARCS) – submit as part of ACRF s43-46 of the Fees and Payments Principles 2016 (No. 2)	July 2022 to June 2023	31 October 2023 (within 6 months of the end of a financial year)	Not applicable	<input type="checkbox"/> Approved providers that hold a refundable accommodation deposit must complete the ARCS. <input type="checkbox"/> Approved providers that did not hold any refundable accommodation deposits must complete Question 1 of the ARCS.	All approved residential providers	<input checked="" type="checkbox"/>	
September Quarterly Financial Report (QFR) s43 of the Accountability Principles	Quarter 1: July to September 2023	4 November 2023 (within 35 days after the end of a quarter)	1 October 2023	<input type="checkbox"/> States and territories, their authorities and local government authorities must have an authorised member of their key personnel sign this report. <input type="checkbox"/> All other providers must have this report signed by a director of the body corporate or a member of the governing body for unincorporated providers.	All approved providers	<input checked="" type="checkbox"/>	
General Purpose Financial Report (GPRF) s378 of the Accountability Principles	July 2022 to June 2023	30 November 2023 (within 3 months of the end of a financial year)	Not applicable	<input type="checkbox"/> All non-government approved providers of residential aged care must publish their GPRF on their website. If a provider does not have a website, they need to publish it on another publicly available website and let their current and prospective consumers know.	All non-government approved residential care providers	<input checked="" type="checkbox"/>	

* The end of financial year is 30 June unless you have approval from the Secretary of the Department to change this date.

Aged Care Financial Reports Calendar

<https://www.agedcarequality.gov.au/resources/aged-care-financial-reports-calendar-2023-a3-poster>





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Department of Health and Aged Care



Quarterly Financial Snapshot Aged Care Sector

Quarter 2 2022-23
October to December 2022

agedcareengagement.health.gov.au

Quarter 2 2022-23

Aged Care Financial Reports

<https://www.health.gov.au/resources/publications/quarterly-financial-snapshot-of-the-aged-care-sector-quarter-2-2022-23-october-to-december-2022?language=en>





When we may analyse financial information

1. Another area of the Commission is working with a provider in relation to quality and safety issues
2. Concerns flagged by our risk detection tool
3. Potential non-compliance with prudential obligations
4. When we are approached by a provider who is raising financial concerns





Related party loan arrangements

- Must comply with commercial arrangements set out under the Aged Care Act and the Corporations Act
- Directors are obliged to act in the best interests of a company
- Targeted review on the financial viability risks associated with providers with complex corporate structures



What is liquidity (and why is it important)?

- Simply put, liquidity is the assets you can easily and quickly change into cash
- Providers facing unexpected revenue decline may struggle to meet financial commitments if they do not have enough liquidity
- Maintaining sufficient liquidity is essential to being able to navigate short term cash flow issues without cutting care related expenditure





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Provider Engagement and Monitoring

- Financial viability
- Targeted reviews
- Audits





Financial viability support case study

- Small provider concerned they could not afford upcoming wage expenses.
- Through analysis and discussions we determined the provider:
 - held significant cash in the bank, including 100% of their RADs held in a savings account
 - had undertaken a large capital works program
 - did not report their eligible permitted use expenditure in their last 5 Annual Prudential Compliance Statements (APCS)
- We:
 - educated the provider around eligible permitted use expenditure
 - improved their financial reporting and governance systems



Targeted reviews

Investment Management Strategy (IMS) insights

- Providers investing RADs are establishing or implementing an IMS
- Providers are not reviewing their IMS after establishment
- Engagement of third parties was not documented in the overall governance system





Audits

Prudential audits

- Looks across the 4 Prudential Standards
- Education opportunity
- Work with providers on rectifying non-compliance
- Where providers fail to meet their obligations, referrals will be made for case management until non-compliance is remediated

Home care audits

- Initial focus on charging practices
- More information on this program to follow soon





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Questions?





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Ask questions

Email address	Topic
prudential@agedcarequality.gov.au	Prudential compliance Financial reporting obligations (ACFR, APCS & QFR)
peams@agedcarequality.gov.au	Financial viability support Targeted reviews and audits