

# Prudential targeted campaign

## National compliance report

September 2021

Between November and December 2020 the Aged Care Quality and Safety Commission audited a sample of approved providers across Australia to assess their understanding of their refunding obligations and the Liquidity Standard. The aim was to identify areas for further education and support for providers regarding their obligations with refunding refundable deposit balances and liquidity management.



**Australian Government**  
**Aged Care Quality and Safety Commission**

Engage  
Empower  
**Safeguard**

## What did we find?



**25%**

### fully compliant

25% of providers were fully compliant with refunding refundable deposits on time with correct interest and were compliant with the Liquidity Standard.



**90%**

### refunded on time

90% of providers refunded refundable deposits within the 14-day refund period.



**70%**

### refunded correct interest

70% of providers refunded the correct interest when refunding refundable deposits.



**\$2,616**

### underpaid refunds

Where interest was incorrectly calculated, it resulted in a total of \$2,616 in underpayments to consumers/estates of consumers.



**\$22,811**

### overpaid refunds

Where interest was incorrectly calculated, it resulted in a total of \$22,811 in overpayments to consumers/estates of consumers.



**50%**

### compliant refundable deposit register

Only 50% of providers had a compliant refundable deposit register, largely because information had not been entered into the electronic register.



**65%**

### compliant with Liquidity Standard

65% of providers were compliant with the Liquidity Standard.



**70%**

### compliant Liquidity Management Strategy

70% of providers had a compliant Liquidity Management Strategy.



**90%**

### compliant with maintaining minimum liquidity

90% of providers maintained their minimum liquidity.

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## Refunding refundable deposit balances and liquidity management

### What we did and why

An analysis of prudential information illustrated that some providers were not meeting their refundable deposit refund obligations. This led the Commission to conduct a virtual campaign activity between November and December 2020 with a number of residential aged care approved providers based on their previous Annual Prudential Compliance Statement (APCS) submissions. The purpose of the campaign was to support providers to develop a better understanding of their obligations in refunding refundable deposits, including ensuring that providers comply with the Liquidity Standard when refunding refundable deposits.

### Our findings

- 10% of providers were non-compliant with refunding refundable deposits within the 14 day refund period.
- Underpayments and overpayments of refundable deposit balances were identified.
- Underpayments ranged from \$5 to \$2,158 (total underpayments \$2,616).
- A total of \$22,811 of overpayments was identified across 35% of approved providers. This is particularly significant if it were to be replicated across the sector.
- 25% of providers did not express their minimum liquidity as a whole dollar value.
- 10% of providers were unable to demonstrate they maintained their minimum liquidity throughout the sample period.
- 50% of providers did not have a compliant refundable deposit register.
- 25% of providers were compliant with all aspects of the targeted campaign activity.
- All approved providers had returned to compliance at the completion of the campaign.

### Common non-compliance identified

Common errors resulting in non-compliance identified included:

- The refund calculation being amended to 366 days for a leap year, when it should always remain 365 days irrespective of being a leap year.
- The day of the refund not being included in the interest calculation.
- The interest rate being applied on the day after death instead of being applied at the rate set on the day probate is sighted.
- Minimum liquidity being expressed as a percentage in the Liquidity Management Strategy instead of a whole dollar figure as required by the Fees and Payments Principles 2014 (No.2).
- Refundable deposit registers missing key identifiable information, such as the date probate was sighted, due to not being completed by the provider or the field to record this information was not available in the register developed by the software provider.



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