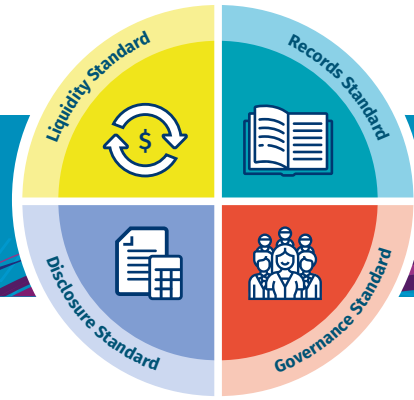




Prudential Standards



Overview

Approved providers of residential aged care are required to comply with prudential responsibilities set out in the *Aged Care Act 1997* (the Aged Care Act) and the *Fees and Payments Principles 2014* (No.2) (the Principles). In particular, approved providers must comply with the following:

- general responsibilities of approved providers (outlined in sections 56-1(a)(iii), section 56-1(c) (i) and section 56-1(n) of the Aged Care Act);
- requirements relating to managing refundable deposits, accommodation bonds and entry contributions (outlined in Part 3A.3 of Chapter 3A of the Aged Care Act and Parts 6 and 7 of the Principles); and,
- the Prudential Standards (Part 5 of the Principles).

There are **four** Prudential Standards (the Standards) in the Principles:

- **Liquidity Standard**
- **Records Standard**
- **Governance Standard**
- **Disclosure Standard**

1.1 Liquidity Standard



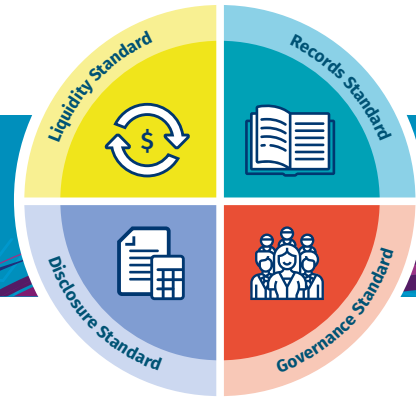
The Liquidity Standard, (sections 43-44 of the Principles), requires any approved provider holding at least one refundable deposit or accommodation bond balance (including entry contributions) during the financial year to:

- maintain sufficient liquidity to ensure they can refund refundable, deposit balances and accommodation bond balances (including entry contributions) that can be expected to fall due in the following 12 months (see: section 43 of the Principles).
- implement and maintain a written liquidity management strategy (LMS), which identifies:
 - the minimum level of liquidity expressed as an amount of whole dollars required to ensure the approved provider has sufficient liquidity to refund refundable deposits and accommodation bond balances (including entry contributions) as they fall due;
 - the factors the approved provider considered in determining the minimum level of liquidity; and,
 - the form in which the provider will maintain the minimum level of liquidity (see: section 44(1) of the Principles).

Common forms of evidence that are required from an approved provider to confirm they can maintain minimum liquidity are an LMS, bank statements or lines of credit balances.



Prudential Standards



An approved provider is also required to:

- maintain the minimum level of liquidity (in the form specified in the approved provider's LMS);
- ensure the approved provider's LMS is kept up-to-date and complies with the requirements in section 44(1) of the Principles; and,
- modify, or replace, its LMS if the approved provider becomes aware that the LMS no longer complies with the requirements in section 44(1) of the Principles (see: section 44(2) of the Principles).

1.2 Records Standard



The Records Standard (sections 45-48 of the Principles) requires an approved provider to establish and maintain

a register (refundable deposit register) that includes information in relation to refundable deposits, accommodation bonds and entry contributions.

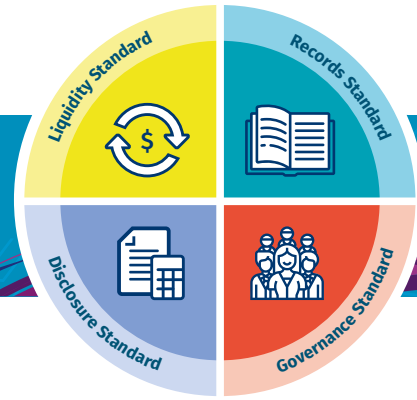
The refundable deposit register:

- may be maintained at either the service level or at provider level, noting that for the Annual Prudential Compliance Statement (APCS), it is at provider level
- can be either in hard copy or electronic
- must include relevant details on payments made – for example, lump sum, part lump sum and daily accommodation payments or periodic payments
- must include resident ID number and resident name, RAD or bond details, the date the resident entered the service (or the date if the resident transferred from another service) and date payment/s were made (inclusive of any instalments).

Common forms of evidence required to assess compliance are RAD register entries for individual care recipients and RAD refunds.



Prudential Standards



1.3 Governance Standard



The Governance Standard (sections 49-50 of the Principles) requires approved providers to develop sound governance systems to ensure refundable deposit balances and accommodation bond balances (if any) are only used for permitted uses and are refunded to care recipients in accordance with section 52P-1 of the Aged Care Act.

The Governance Standard promotes sound business practices by requiring approved providers to develop and implement governance arrangements in accordance with the size and complexity of a provider's business. In effect, approved providers who hold refundable deposit balances or accommodation bond balances are required to have a governance system in place to manage these. The system will ensure that refundable deposit balances and bond balances are only used for permitted uses and for the purpose of refunds for consumers in accordance with the Aged Care Act.

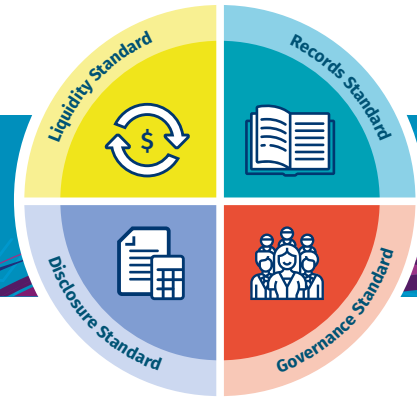
Approved providers are required to maintain a written investment management strategy (IMS) if they invest refundable deposits or accommodation bonds in financial products, as outlined in section 52N-1(3)(b) to (e) of the Aged Care Act and section 63(c) of the Principles or if they invest in a fund, but not controlling entity of a fund.

Common forms of evidence required to assess compliance with the Governance Standard are:

- governance policies and procedures in relation to managing and controlling refundable deposits and accommodation bonds
- job descriptions
- training documentation in relation to RADs responsibilities
- IMS
- refundable deposit and accommodation bond refund policies and procedures
- financial delegations in relation to refundable deposits and accommodation bond refunds
- loan documents to related parties
- evidence of capital expenditure
- evidence of investments.



Prudential Standards



1.4 Disclosure Standard



The Disclosure Standard, (sections 51-58 of the Principles), requires approved providers holding refundable deposits and accommodation

bonds (including entry contributions) to provide the Secretary of the Department of Health, care recipients, prospective care recipients and their representatives, information on their compliance with the Liquidity, Governance, Records and Disclosure Standards, including information on their refundable deposit balances.

The Annual Prudential Compliance Statement (APCS) and letter to care recipients or their representatives should be completed within 4 months of the end of the financial year, which for most providers will be 31 October.

Common forms of evidence required to assess compliance with the Disclosure Standard are:

- the APCS
- letters sent to care recipients within 4 months of the end of the financial year
- accommodation agreements
- information on the approved provider's website.