

annual report
2001-2002



The **Aged Care**
Standards and Accreditation Agency Ltd

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The Aged Care Standards and Accreditation Agency's Annual Report 2001 – 2002 can be accessed via the internet at:
<http://www.accreditation.aust.com>

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Annual Report 2001 – 2002

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message from the chairman

2001-2002 was a busy year for the Aged Care Standards and Accreditation Agency: a year of consolidation and review after the successful first round of accreditation, and focusing on how to improve further.

In the last year the Board of the Agency, with senior staff, has spent considerable time examining how the Agency can improve both its internal and external operations and how it can build on existing relationships with all stakeholders to entrench a culture of continuous improvement in the quality of care for older Australians.

The Agency also comprehensively evaluated the results of the first round of accreditation, anticipated and already implemented most of the major findings of the 'Lessons Learned' report from the Aged Care Forum.

The Board identified last year that the Agency needed to give greater emphasis to its education and information roles if continuous improvement is to be maintained. Education is the key to the achievement of continuous improvement in the aged care sector, and in the Agency.

The Board, with the assistance of senior staff, is implementing a significant restructure of the focus of the Agency.

A new national office structure being implemented will see four general managers reporting to the CEO. These general managers will head divisions of education; accreditation; corporate services and communication.

Two of the permanent divisional heads are already in place, the education division is currently established with an acting general manager and we expect a permanent appointment to be made shortly.

This new structure is designed to improve customer service, promote consistency and efficiency, and provide leadership and tangible education and information benefits to the sector, and the community.

The Board also believes this new structure will ensure a consistency of approach both in the regulatory and educational functions of the Agency on a national basis. I am confident that we will be able to report positive outcomes of the new approach in next year's annual report.

We are also taking great care in filling the role of Chief Executive Officer as the role of the CEO is an important one; it requires a person with the ability to not only lead the Agency, but also to work cooperatively with stakeholders and to provide leadership to the aged care sector. The Board is working with the Minister for Ageing to ensure that the best possible candidate is appointed.

The Board has also recognised the importance of working in partnership with stakeholders by enhancing the role of the National Liaison Group. To ensure direct feedback to the Board, three directors have a direct involvement in working with this group.

Other major activities have included:

- The revised Accreditation Guide and Application were released and came

into effect on 1 May 2002 – this was developed with the assistance of focus groups from industry and supported by more than 80 information sessions about 'Accreditation Mark II'. The revisions reflect the Agency's findings, and the findings of the Aged Care Forum's 'Lessons Learned from Accreditation Working Group'

- Three self-directed learning packages were produced and distributed to all aged care homes
- The series of information sessions 'Commonwealth-funded aged care: how it works', jointly presented by the Agency, the Complaints Commissioner and the Department of Health and Ageing, was launched by the Minister for Ageing in June
- The Agency held its first ever national workshop for internal quality assessors and decision-makers to enhance consistency in the accreditation process
- With the establishment of a dedicated, specialist education division within the Agency, an assessment is being carried out of industry needs for education and assistance
- More than 3000 visits to aged care homes were made, including more than 400 spot checks and 200 site audits for accreditation.

The Aged Care Standards and Accreditation Agency is an integral player in the aged care reform agenda set by the Commonwealth Government in 1997.

The Board of the Agency is committed to seeing sustainable improvements made in aged care – not only in the quality of care and services for residents, although this is the Agency’s primary task. It is also our objective to contribute to the success of aged care as a sector, and the strategies for achieving this are reflected in the management restructure that the Board approved in early 2002.

The Agency is still a relatively young organisation that has had to operate in a complex legislative environment and deal with a number of internal and external changes, all the while under a high level of scrutiny. In the period, the Australian National Audit Office commenced a performance audit of the Agency, particularly examining the effectiveness of the accreditation process.

The Agency is working with the Audit Office to enable a robust examination of our procedures and welcomes the opportunity of a ‘third party audit’ that will assist us to identify areas for improvement. Like accreditation reports, the audit report will be a public document. It is expected that the audit report will be tabled in the first half of 2003.

The Agency is also in discussions with organisations that may be suitable to ‘accredit’ the Agency. Although the Agency has embraced the principles of continuous quality improvement since its inception, it has been difficult to identify a body suitably qualified to ‘accredit the accreditation body’. The search has extended internationally, and we should be in a position to report on this next year.

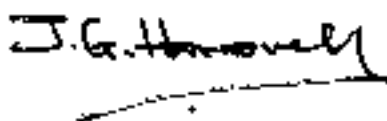
Despite the many initiatives introduced during the period, the Agency never lost sight of its core business of ensuring legislated standards of care and services are achieved in all aged care homes.

Contrary to the way in which the industry is at times presented in the media the majority of Australia’s 2,949 aged care homes continue to comply with the Accreditation Standards and to undertake continuous improvement.

The Agency’s program of visits to homes is comprehensive and reveals that only a minority – in the order of about two per cent – have non-compliance leading to a change in accreditation status. And even for these homes, the majority take swift action to remedy the non-compliance. The sector has every reason to be proud of its quality of care and services.

The achievements of the Agency are testimony to the dedication and professionalism of its staff. Their strongest motivation is their unwavering commitment to the protection of the frail, older people in residential aged care.

On behalf of the Board, I thank the staff of the Agency, and contract quality assessors, for their hard work and contribution to the Agency’s mission and vision.



Jim Harrowell
CHAIRMAN

message from the acting chief executive officer

It has been a busy year for everyone at the Agency, with a number of changes to our internal structure underway, a new approach to accreditation and a stronger focus on education.

The Agency has four main functions:

1. to manage the accreditation process
2. to promote high quality care
3. to assist services working towards accreditation
4. to liaise with the Department about homes not meeting the Accreditation Standards.

Thematically, these can be grouped in the functions of 'regulation' and 'education'. As a start-up organisation, with a tight deadline to assess all aged care homes for accreditation, the Agency's primary focus was initially on the regulatory side. Now that the processes for this are well-established and have been through their first full continuous improvement cycle, it is appropriate to expand our education focus.

It is important to acknowledge that the Agency has always been mindful of its role in providing education to the aged care sector: indeed, the Agency has delivered a number of education and information sessions, and education packages.

The Board's decision to establish a dedicated education division with its own general manager will see an expansion of the education products and services provided by the Agency. The Agency also has a role in identifying products and services available in the marketplace; and facilitating the sharing of ideas and information within the sector.

In fulfilling its education role, the Agency will be working very closely with the sector, particularly the National Agency Liaison Group, and will be guided and supported by the education committee of the Board.

On June 11, the Minister for Ageing, the Hon Kevin Andrews MP, launched the series of information sessions 'Commonwealth-funded aged care: how it works'. The Commissioner for Complaints, the Department of Health and Ageing, and the Agency jointly presented these sessions. The sessions sought to provide information about each organisation's role in the regulatory framework for aged care, as well as to listen to ideas and concerns from the aged care sector. Feedback from the roadshow will be used to inform the Agency's education and information strategies.

The second round of accreditation commenced during the reporting period, and is supported by a revised accreditation application and guide that were released in December 2001.

The changes were made taking into account extensive stakeholder feedback, including direct written feedback from homes following round-one accreditation, and qualitative feedback from the Aged Care Forum's 'Lessons Learned from Accreditation' Working Group.

The response to accreditation was overwhelmingly positive, although the need for improvements was identified in a number of areas. More guidance was sought on the self-assessment, and the Agency responded to this through Issue 2 of the Accreditation Guide and in the self-directed learning package on self-assessment. The electronic application was made simpler, and a new, voluntary, higher ratings scheme introduced.

A major issue identified by the Agency in round one, confirmed by the findings of the Lessons Learned Working Group, was that few residents and relatives participated in accreditation beyond being interviewed during the site audit.

The accreditation application now asks providers to identify how they achieve resident focus. Through written material and presentations the Agency is promoting the theme of resident focus to all aged care homes. It is acknowledged that this can be quite a challenge for an aged care home, because residents, relatives and their advocates may not choose to become involved in accreditation. However, it is important that homes seek to actively engage their main 'customers' in order to deliver continuous improvement.

The Agency promotes and undertakes continuous improvement. We understand that there will always be opportunities for improvements to our own policies and processes, and we are committed to analysing our results and feedback to identify where we can better perform. 'Consistency' is an ongoing challenge for the Agency, and a number of processes and policies are in place to promote the consistent application of the Accreditation Standards. In June, the Agency held its first-ever national workshop for all Agency quality assessors and decision-makers with the objective of improving national consistency.

A new handbook has been developed for all quality assessors to promote consistency in approach and methodology for auditing. This has been supplemented

by audit methodology training and we will continue to closely examine the quality and consistency of audits and audit reports through internal review mechanisms and feedback from homes and their staff.

Just as the community has high expectations of aged care homes, it has high expectations of the Agency: that we will effectively and efficiently supervise the standards of care received by residents of aged care. More than 3000 visits were made during the reporting period, more than 10 per cent of which were spot checks. I am confident that we serve the community well.

Of course, we also serve the aged care industry. Our new directions reinforce our role in working in partnership with the sector, helping it to grow and be respected as a vital provider of quality services to the Australian community.

I would like to thank the Board for its commitment to the Agency, my colleagues for their support during this period and all staff of the Agency for the efforts that they make each and every day to improve the quality of aged care in Australia.



Gerald Overton
ACTING CHIEF EXECUTIVE OFFICER

part one

overview of the agency

The Aged Care Standards and Accreditation Agency (the Agency) is an independent company, wholly-owned by the Commonwealth government, established under Corporations Law and the Commonwealth Authorities and Companies Act 1997. It is the 'accreditation body' for the purposes of the Aged Care Act 1997.

Role and Functions

The core functions of the Agency are set out in the *Accreditation Grant Principles 1999*. These are:

- Manage the residential aged care accreditation process using the Accreditation Standards
- Promote high quality care and assist industry to improve service quality by identifying best practice, and providing information, education and training
- Assess and strategically manage services working towards accreditation
- Liaise with the Department of Health and Ageing about services that do not comply with the Accreditation Standards.

The Agency fulfils its functions using processes and principles set in legislation, notably the *Aged Care Act 1997*, the *Accountability Principles 1998*, the *Accreditation Grant Principles 1999*, and the *Commonwealth Authorities and Companies Act 1997*. The delivery of these functions is subject to a written agreement with the Commonwealth made under s.80-1 of the *Aged Care Act 1997*.



Values

Mission Statement

The Agency’s mission is to:

- Ensure legislated standards are achieved
- Promote innovation and best practice
- Enhance quality of life for residents
- Work with the aged care industry to continuously improve services.

Vision Statement

The Agency’s vision is that: Individuals enjoy quality care and services provided by an aged care industry that is setting world benchmarks.

LEADERSHIP

This means: all staff of the Agency have the potential to provide leadership in the areas of their specific skills. Together we provide leadership by inspiring excellence, through information sharing, education and by our own example. We wish our own organisation to be a role model in quality improvement.

PROFESSIONALISM

This means: we conduct ourselves in a professional and ethical manner, respecting other people and other points of view. We all work together as a team, valuing each other’s skills and knowledge. Our approach is consistent with our vision, mission and values.

ACCOUNTABILITY

This means: we are accountable to our stakeholders and to each other. We provide value for money through quality products and efficient practices. Our processes are fair, consistent and transparent.

OPENNESS

This means: we are open in all our business practices and encourage sharing of information between our stakeholders and each other. Consultation is based on trust, good communications and the recognition of stakeholder diversity. We are open to new ideas and ways of doing things, and we regard honest mistakes as learning opportunities.

QUALITY

This means: our internal processes ensure quality outcomes. We are committed to continuous improvement in our own practices as well as promoting quality externally. We identify and promote best practice and innovation.

Agency Structure

The Agency has responsibility for supervising the quality of care in Commonwealth-funded aged care homes across Australia. The structure of the Agency reflects this national role, with a national office responsible for central policies, procedures and corporate functions, and state and territory offices responsible for delivering the core functions of accreditation and assistance to aged care homes.

These offices are located in Sydney (the national office, and the New South Wales and ACT office), Melbourne (Victoria and Tasmania), Brisbane (Queensland), Perth (Western Australia) and Adelaide (South Australia and the Northern Territory). There is also a small branch office in Hobart, Tasmania. Each state and territory office has a manager responsible for its activities. Contact details for each office can be found at Appendix 1.

The Board of Directors has overall responsibility for the Agency's strategic direction and performance. The Board's role is corporate governance: ensuring that the Agency fulfils the functions given to it by the Parliament in the legislation, and ensuring proper prudential management of its funds.

During the financial year, the Board determined a new organisational structure for the Agency that will enable it to fulfil an expanded strategic direction that includes an enhanced role for education and communication. The restructure is being implemented over the 2002 calendar year.

The new structure will see four general managers, of divisions of accreditation, education, corporate services, and communication, reporting to the chief executive officer. Corporate and policy functions will be centralised to the national office, while state and territory offices will continue to deliver the core functions of the Agency. Two of these positions have been filled subsequent to the reporting period, an interim appointment has been made to one and one is currently vacant. Refer to Figure 1.

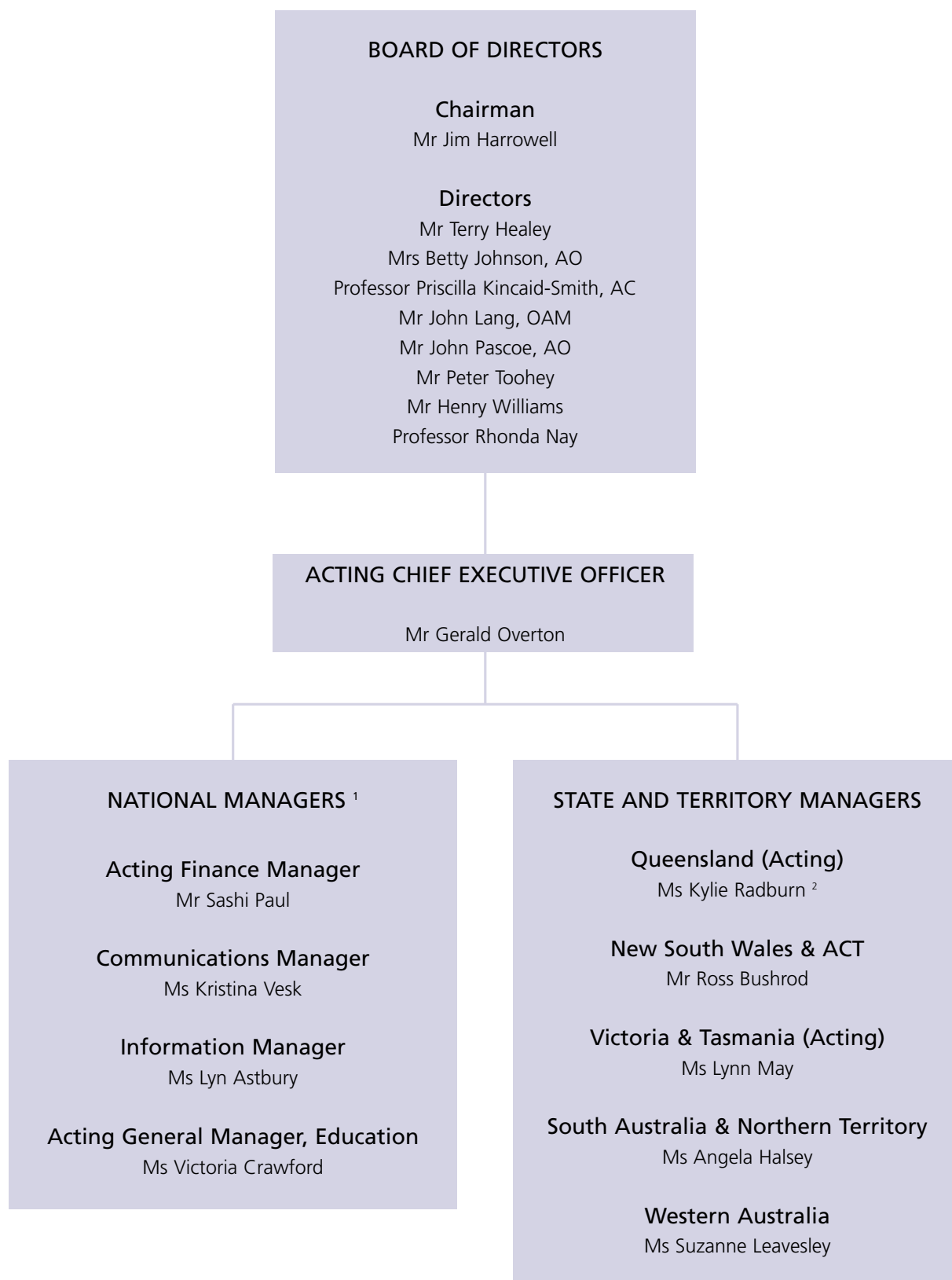
Details of the Board for the period 2001-2002 are included in the Directors' Report, at part 2.

On 17 June 2002, the Minister for Ageing, the Hon Kevin Andrews MP, made amendments to the *Accreditation Grant Principles 1999* and the *Information Principles 1997*, to change the title of 'general manager' of the Agency to 'chief executive officer' of the Agency, to ensure consistency with terminology used in relation to bodies incorporated under Corporations Law.

The chief executive officer is responsible for the operational management of the company and for ensuring the delivery of the Agency's core functions. The chief executive officer reports to the Board, and maintains regular communication with the Commonwealth Department of Health and Ageing.

The organisational chart of the Agency as at 30 June 2002 is illustrated at Figure 1.

Figure 1: Organisational chart as at 30 June 2002



¹ In August 2002, Mr Kym Pfitzner was appointed General Manager, Corporate Services. In September 2002, the title Communications Manager changed to General Manager, Communications

² Ms Marisa Vecchio was appointed Manager, Queensland, in August 2002

Relationship with the Department of Health and Ageing

The Agency contributes to the achievement of 'Enhanced Quality of Life for Older Australians', a portfolio outcome set by the Commonwealth for the Department of Health and Ageing ('the Department'). This outcome is described as "support for healthy ageing for older Australians and quality and cost effective care for frail older people and support for their carers".

The Agency works with the Department to promote quality aged care, by:

- Liaising with the Department about homes that do not meet their obligations under the Act, including providing reports about non-compliance as required under the *Accreditation Grant Principles 1999*

- Providing recommendations to the Secretary (or her delegate) about whether or not sanctions should be imposed on homes that do not comply with the Accreditation Standards or other obligations
- Responding to requests from the Secretary (or her delegate) to conduct review audits
- Reporting regularly about the status and performance of aged care homes.

There is a protocol between the Department and the Agency that describes the actions each organisation takes in respect of suspected or identified non-compliance. Table 1 shows the points where the Agency refers non-compliance to the Department. There is also a protocol between the Department and the Agency about the regular exchange of data in relation to activity and outcomes.

Table 1: Compliance action

ASSESSMENT TEAM	AGENCY (AUTHORISED DECISION-MAKER)	DEPARTMENT OF HEALTH AND AGEING (DELEGATE TO THE SECRETARY)
Finds non-compliance in one or more of the expected outcomes of the Accreditation Standards during an accreditation audit, or a review audit.	Makes a decision about whether or not there is non-compliance, and if so refers information plus a recommendation regarding sanctions to the Secretary, DHA, under s4.5 of the <i>Accreditation Grant Principles 1999</i> (AGPs).	Makes an independent decision about compliance and whether or not to take sanctions action and if so what type of action.
Finds that there is serious risk to the health, safety or wellbeing of a person receiving care, during an accreditation audit or a review audit.	Makes a decision about whether or not there is evidence of a serious risk, and if so refers information plus a recommendation regarding sanctions to the Secretary, DHA, under s4.4 of the AGPs.	Makes an independent decision about whether or not immediate and severe risk exists and whether or not to impose sanctions.

Table 1: Compliance action (continued)

ASSESSMENT TEAM	AGENCY (AUTHORISED DECISION-MAKER)	DEPARTMENT OF HEALTH AND AGEING (DELEGATE TO THE SECRETARY)
<p>Finds that there is serious risk to the health, safety or wellbeing of a person receiving care, during a support contact.</p>	<p>Makes a decision about whether or not there is evidence of a serious risk, and if so refers information plus a recommendation regarding sanctions to the Secretary, DHA, under s4.6 of the AGPs.</p>	<p>Makes an independent decision about whether or not immediate and severe risk exists and whether or not to impose sanctions.</p>
<p>Finds non-compliance in one or more of the expected outcomes of the Accreditation Standards during a support contact.</p>	<p>Makes a decision about whether or not there is non-compliance, and if so establishes a timetable for improvements under s4.6(4) of the AGPs.</p>	
<p>Finds non-compliance in one or more of the expected outcomes of the Accreditation Standards during a support contact, at the end of a timetable established under s4.6(4) of the AGPs.</p>	<p>Makes a decision about whether or not there is non-compliance, and if so refers to the Secretary DHA, information plus a recommendation that sanctions be imposed, as required under s4.7 of the AGPs.</p>	<p>Makes an independent decision about compliance and whether or not to take sanctions action and if so what type of action.</p>
<p>Finds non-compliance in one or more of the expected outcomes of the Accreditation Standards at the end of a timetable established under s3.25 of the AGPs (following a review audit, where the decision was not to revoke).</p>	<p>Makes a decision about whether or not there is non-compliance, and if so refers to the Secretary DHA, information plus a recommendation about whether or not sanctions should be imposed, as required under s3.26 of the AGPs.</p>	<p>Makes an independent decision about compliance and whether or not to take sanctions action and if so what type of action.</p>

The following table lists Agency performance in 2001-2002 against targets specified by the Department of Health and Ageing.

Table 2: Agency performance 2001-2002

INDICATOR	TARGET 2001 – 2002	RESULT FOR THE PERIOD 1 JULY 2001 – 30 JUNE 2002
Accreditation audits.	100% of all applications for accreditation audits conducted within statutory timeframe.	Accreditation decisions were made within the legislated timeframe for 100% of applications received.
Schedule of support contacts.	Schedule of support contacts established for all accredited services.	It is Agency policy that every accredited home receives at least one site support contact during its accredited period. (Support contacts may be either visits, or 'desk' contacts, that is, a teleconference about the home's plan for continuous improvement). Poorly performing homes necessarily require more than one visit. Visits to homes with significant non-compliance or serious risk are coordinated with visits by authorised Commonwealth officers. During the reporting period, there were 3653 support contacts with homes, of which 2897 were visits.
Contacts with services.	Contacts conducted to include: <ul style="list-style-type: none"> • accreditation site visits as required • up to 2,800 support contacts • up to 320 review audits • at least 200 spot checks 	<ul style="list-style-type: none"> • 205 accreditation audits • 3653 support contacts • 86 review audits • 449 spot checks
Referral of non-compliant services to Commonwealth.	Notification of all non-compliant services within 7 days of identification by the Agency. Where serious risk is apparent, notification must be within 24 hours.	A protocol between the Agency and DHA, on dealing with non-compliance, was finalised in July 2002. The draft of this protocol was operational during the second half of the reporting period. The protocol requires serious risk reports to be provided within 24 hours of initial notification (which is by phone and fax) from the Agency to DHA. The Agency has

Table 2: Agency performance 2001-2002 (continued)

INDICATOR	TARGET 2001 – 2002	RESULT FOR THE PERIOD 1 JULY 2001 – 30 JUNE 2002
		<p>notified any instances of serious risk to the Department as soon as practicable, as required under the <i>Accreditation Grant Principles 1999</i>.</p> <p>Non-compliance is notified as soon as reasonably possible after identification, noting that the legislation requires the identification to be by 'the Agency' (ie not assessment teams). Hence, there can be some delay between a team identifying non-compliance on-site and then the Agency identifying it following receipt of a report. All non-compliance is notified to DHA in accordance with the Agency's obligations under Part 4 of the <i>Accreditation Grant Principles</i>.</p> <p>The Agency's IT system is being enhanced so that it can capture the data necessary to more precisely report on this performance indicator.</p>
<p>The appointment of a registrar to maintain a register, by state, of appropriately qualified assessors.</p>	<p>Maintenance of a register of appropriately qualified assessors by state.</p>	<p>The Quality Society of Australasia (QSA) maintains its appointment as the registrar of quality assessors, and is subject to a performance agreement with the Agency.</p>
<p>Continuous improvement and best practice in industry.</p>	<p>Development and distribution of appropriate products, including regular newsletter to all services.</p>	<p>The Agency's newsletter, <i>The Standard</i> is published quarterly and is sent by mail to every accredited aged care home, as well as various interested individuals and representatives of industry and consumer groups, and Aged Care Assessment Teams. It is also published on the Agency's website. In the reporting period four issues of <i>The Standard</i> were published.</p>

Table 2: Agency performance 2001-2002 (continued)

INDICATOR	TARGET 2001 – 2002	RESULT FOR THE PERIOD 1 JULY 2001 – 30 JUNE 2002
		<p>In September 2001, self-directed learning packages about self-assessment and continuous improvement were sent free-of-charge to all homes, and were published on the Agency's website. In March 2002, the Agency released a third self-directed learning package, on data and measurement. This complemented the earlier packages, and was also sent free-of-charge in hard copy to all homes, and is available from the Agency's website.</p>
<p>Reports</p>	<p>Provide reports as specified by the Department of Health and Ageing.</p> <p>Meet all legislative and corporate publishing and information provision requirements to provide accurate and timely information to consumers, the industry and government.</p>	<p>The Agency is up-to-date with its Annual Reports and corporations law obligations.</p> <p>The report, to the Minister, against the corporate plan was delivered behind schedule.</p> <p>Published accreditation and review audit reports are regularly audited (6-monthly and ad-hoc).</p> <p>An information strategy is being developed, taking into account feedback from the aged care roadshow and the major findings of the Aged Care Forum's Working Group on the Lessons Learned from Accreditation.</p> <p>The Agency has booked full-page ads in every state edition of the 2002 DPS Aged Care Guides. These explain the role of the Agency and issues consumers might consider in choosing a home.</p>

Table 1: Agency performance 2001-2002 (continued)

INDICATOR	TARGET 2001 – 2002	RESULT FOR THE PERIOD 1 JULY 2001 – 30 JUNE 2002
		In 2002, the Agency has provided articles for the <i>National Healthcare Journal</i> , a specialist magazine for the health and aged care sectors, with a national circulation in excess of 8,500.
Data provision.	Provide data, on the outcomes of accreditation, site visits/review audits/spot checks and other contacts with the sector in a timely manner to the Department to guide the development of policy and legislation.	Regular provision of data on visits is made, and ad-hoc requests for information responded to in a timely manner. In July, a formal protocol on data exchange was finalised.
Compliance with relevant administrative law and corporate governance requirements.	A high level of compliance with relevant administrative law and corporate governance requirements.	There have been no breaches of the Agency's legal obligations of which the Agency is aware.

part two

financial statements

directors' report

statement of financial performance

statement of financial position

statement of cash flows

notes to financial statements

directors' declaration

independent audit report

directors' report

Your directors submit the financial accounts of the entity for the financial year ended 30 June 2002.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr James G F Harrowell
(Chairman)

Mr Terence T Healey

Mrs Betty D Johnson, AO

Professor Priscilla S
Kincaid-Smith, AC

Mr John H A Lang, OAM

Mr James A Longley
(resigned 22 September
2001)

Mr Peter Toohey

Mr Henry N Williams

Mr John H Pascoe AO
(resigned 19 August 2002)

Professor Rhonda Nay
(appointed 24 June 2002)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

MR JAMES HARROWELL, CHAIRMAN

Appointed 21 June 1999

Current appointment until 20 June 2004

Chairman, Remuneration Committee

Mr Harrowell is a qualified lawyer and accountant. He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia.

He is the Managing Partner of the Hunt & Hunt Legal Group and has over 20 years experience in litigation in all jurisdictional levels in NSW and interstate. He lives in Sydney.

MR TERENCE HEALEY

Appointed 22 September 1997

Current appointment until 17 September 2004

Member, Audit and Finance Committee

Until his retirement in 2000, Mr Healey was the Chief Executive Officer of Eldercare Inc., an independently incorporated community service of the Uniting Church in Australia which operates nursing homes, hostels and independent living units in South Australia. He lives in Adelaide.

MRS BETTY JOHNSON, AO

Appointed 22 September 1997
Current appointment until
21 November 2003
Member, Education and Training Committee

Mrs Johnson is involved with the Older Women's Network (Australia) and she is also involved with the Australian Pensioners and Superannuants Federation. Mrs Johnson holds the position of consumer representative on many aged care committees and working groups. She lives in Sydney.

**PROFESSOR PRISCILLA
KINCAID-SMITH, AC**

Appointed 22 September 1997
Current appointment until
21 November 2003
Member, Education and Training Committee

Professor Kincaid-Smith is the Medical Director and Director of Nephrology, Epworth Hospital, Melbourne, and Emeritus Professor of Medicine, University of Melbourne. She lives in Melbourne.

MR JOHN LANG, OAM

Appointed 22 September 1997
Current appointment until
17 September 2004
Member, Audit and Finance Committee
Member, Remuneration Committee

Mr John Lang is a retired Company Director with qualifications in both accounting and marketing. He has wide business experience domestically and internationally.

He currently serves on the Boards of SCEGGS Redlands Limited (an educational group) and the Vasey Housing Association NSW (providers of independent living for war widows and other defence-related women).

Mr Lang remains most active in community activities, especially Rotary. As an ex-serviceman he serves with the Department of Veterans Affairs on their NSW and National Forums for Aged Care and further as their nominee to the ACSAA. In July 2002 he was appointed as a Director on the Board of the Indigenous Communities Volunteer Foundation. He lives in Sydney.

MR JAMES LONGLEY

Appointed 22 September 1997
Appointed until 22 September 2001
Resigned 22 September 2001

Mr Longley is a senior Finance Executive with the Commonwealth Bank of Australia. Prior to this he was the Chief Executive Officer of the Anglican Retirement Villages, Sydney. Mr Longley was New South Wales' first Minister on Ageing (1993-95) and was also a Councillor on the NSW Aged Services Association Board (the peak body for charitable aged care organisations) from 1997-00. He lives in Sydney.

MR PETER TOOHEY

Appointed 22 September 1997
Current appointment until
21 November 2003
Chairman, Education and
Training Committee
Member, Remuneration Committee

Mr Toohey is a former Executive
Chairman of TriCare Limited, the largest
private aged care group in Queensland.

He has 20 years experience in the aged
care industry and is a Fellow of the
Company Directors Association of Australia.
He lives in Brisbane.

MR HENRY WILLIAMS

Appointed 21 June 1999
Current appointment until 21 June 2004
Chairman, Audit and Finance Committee

Mr Williams is a leading financial
consultant to the health and aged care
sector. He is a qualified chartered
accountant and has over 20 years
experience and expertise in the areas
of business advising, taxation, audit
and information technology.
He lives in Brisbane.

MR JOHN PASCOE, AO

Appointed 4 June 2001
Appointed until 19 March 2004
Resigned 19 August 2002

Mr Pascoe is a qualified lawyer and the
Managing Director of the Insurance and
Financial Services Group for Phillips Fox
Lawyers. He is also the Chairman of
George Weston Foods Limited and
a director of a number of other boards.
He lives in Sydney.

PROFESSOR RHONDA NAY

Appointed 24 June 2002
Current appointment until 18 June 2005

Professor Nay was appointed to the
Foundation Chair in Gerontic Nursing
in 1996 at La Trobe University. She is
currently Professor/Director of the
La Trobe University Gerontic Nursing
Clinical School, based at Bundoora
Extended Care Centre and Caulfield
General Medical Centre in Victoria.
She is also Director of the Australian
Centre for Evidence Based Aged Care
and President of the Australian Association
of Gerontology (Victoria). She is an
Expert Consultant in aged care to the
International Council of Nurses. She has
extensive practice, teaching and research
experience in the care of older people.
She lives in Melbourne.

Principal Activities

- Manage the residential aged care accreditation process using the Accreditation Standards
- Promote high quality care and assist industry to improve service quality by identifying best practice, and providing information, education and training
- Assess and strategically manage services working towards accreditation
- Liaise with the Department of Health and Ageing about services that do not comply with the Accreditation Standards

There were no significant changes in the nature of the economic entities principal activities during the financial year.

Operating Results

The operating loss amounted to \$4,047,080. Dividends are not applicable for this entity as no beneficial interest exists.

Accreditation Overview

Accreditation is the evaluation process that aged care homes must undergo to continue to receive residential care subsidies from the Commonwealth. The main steps in the accreditation process are specified in the *Accreditation Grant Principles 1999* (the Principles).

New Homes

In order to receive residential care subsidies, homes must be accredited. Therefore, new homes apply for accreditation before they have admitted residents. The application requires the home to identify how it will meet the Accreditation Standards when it is operating, and to give the Agency an undertaking that the home will undertake continuous improvement.

Under the law, new homes ('commencing services') can only be accredited for 12 months, and their accreditation is determined on the basis of a written application. During the accredited period, the home will receive support contacts from the Agency and will be required to apply for a further period of accreditation, as an 'existing service'.

Existing Homes

There are three basic steps in the accreditation process:

1. Homes apply for accreditation by completing a self-assessment of their performance against the Accreditation Standards, and submit this with other relevant information to the Agency.
2. A team of registered quality assessors reviews the application (the 'desk audit') and then conducts an on-site assessment of the home (the 'site audit'). During the site audit the team observes the living environment and practices of the home, reviews relevant documentation such as care plans, and interviews residents, relatives, staff and management. The team's findings are first given in draft form to the home at the end of the site audit, and within two weeks a final 'site audit report' is prepared and submitted to the Agency.
3. An authorised decision-maker from the Agency (not the team) considers the site audit report, in conjunction with feedback from the home and any other relevant information, including information from the Department of Health and Ageing, and decides whether or not to accredit, and if so, for how long.

Accreditation is not a one-off 'event'.

Once a home is accredited, it must give the Agency a Plan for Continuous Improvement. Homes must continue to comply with the legislated standards of care and services and undertake continuous improvement. The Agency supervises all accredited homes – through a program of support contacts, review audits and spot checks – to ensure that they continue to meet the required standards.

Accreditation Activity and Outcomes

In the reporting period 251 accreditation decisions were made; 164 of which were decisions to grant three-years; 47 for other periods; 38 for commencing services; and two decisions not to accredit (one home closed and the other was granted exceptional circumstances by the Department and was accredited in July 2002).

Table 3 shows the accreditation status of homes as at 30 June 2002.

Table 3: Accreditation status as at 30 June 2002

STATUS	NUMBER OF HOMES
Accredited for 3 years	2811
Accredited for 1 year	40
Accredited for other periods	97
A determination in place under s42-5 of the Act (exceptional circumstances)	1

Reconsideration and Review

There is a high level of acceptance of Agency decisions. During the reporting period, reconsideration was sought on only two per cent of decisions about accreditation or review audits. Eight matters were active before the Administrative Appeals Tribunal (AAT) during the period. Five matters were withdrawn, four of which were not within the jurisdiction of the AAT. One matter was settled by consent, one was dismissed and one pending at year-end was subsequently dismissed.

The approved provider of a home may seek reconsideration of a decision not to accredit, or reconsideration of the period of accreditation. Reconsideration means making a fresh decision in relation to that application, and can involve a further site audit.

If a home is still refused accreditation after reconsideration, or is dissatisfied with a reconsideration decision about the period of accreditation, it may apply to the Administrative Appeals Tribunal (AAT) for review of the decision. Reconsideration and review are also available in respect of decisions made following review audits.

Ongoing Supervision

Continuous improvement is the cornerstone of accreditation: it means that homes actively seek feedback from their residents, and are able to understand and respond to their changing needs and preferences; it is the pursuit of quality in all facets of a home's care and services.

Once accredited, homes continue to be supervised for their ongoing compliance with the Accreditation Standards and their undertaking of continuous improvement. Supervision occurs through support contacts and review audits. The Agency also arranges both random and targeted spot checks (unannounced visits).

Spot Checks

The Agency arranges both random and targeted spot checks. Spot checks are either support contact visits or review audits, where access to the home is sought within 30 minutes of notice being given.

Targeted spot checks are conducted where the Agency has reasonable grounds to believe there may be non-compliance, whereas random spot checks are conducted where there is no indication of risk or non-compliance. About 10 per cent of the Agency's non-accreditation visits are conducted as spot checks.

The Agency appreciates that spot checks may not always be convenient to the home. However, it is also appreciated that the Australian community has high expectations of aged care homes, and expects that homes should be able to show that they provide high quality care at any time of day, any day of the week.

In the reporting period, 449 spot checks were conducted by quality assessors, for the Agency.

Support Contacts

A support contact is a contact between a registered quality assessor and an aged care home for the purpose of:

- Ensuring compliance with the Accreditation Standards and other responsibilities under the *Aged Care Act 1997*
- Assisting the home to undertake continuous improvement
- Identifying whether there is the need for a review audit, or
- Providing additional information or training.

A support contact may be either a visit (a support contact-site) or a teleconference (a support contact-desk).

A support contact-site generally lasts from half to one day, and may be an overview of the home's performance against the Accreditation Standards, or may be focused on certain aspects of care or services. In particular, any matters previously identified as needing improvement will be assessed.

During 2001-2002, 3653 support contacts were carried out, of which 2897 were site visits.

Review Audits

A review audit is an assessment of the quality of care provided by a home against the 44 expected outcomes of the Accreditation Standards. It includes an on-site visit by a team of at least two registered quality assessors and generally takes between two to four days.

An assessment team reviews documents, interviews staff, residents, relatives and other relevant people and observes the environment and practices of the home. The Agency may arrange for an assessment team to conduct a review audit of a home if:

- It has reason to believe that the home may not be complying with the Accreditation Standards
- There has been a change to the home such as a change of ownership or key personnel
- There has been a transfer of allocated places
- There has been a change to the premises of the home, or
- The home has not complied with the arrangements made for support contacts.

At the request of the Secretary to the Department of Health and Ageing, the Agency must arrange a review audit.

During 2001-2002, 86 review audits were conducted, and 95 decisions were made following review audits. Of these decisions, 52 were to vary the period of accreditation and 42 were to not revoke accreditation. One decision was to revoke accreditation; on reconsideration and following a further on-site audit, the decision was to vary the period of accreditation.

Education, Training and Information

- Three self-directed learning packages were released to industry in the reporting period. The Self-assessment and Continuous Improvement packages were both distributed in September 2001 and the Data and Measurement package distributed in March 2002. These complementary packages have been developed to assist industry undertake continuous improvement and better understand the concepts underlying accreditation. These packages are available on the Agency's website, and include information sheets and a PowerPoint presentation that can be used by educators in homes to provide in-service training with staff.
- The Agency was represented at two national conferences for the major industry organisations: Aged and Community Services Australia in October 2001 (Cairns – Queensland); and Australian Nursing Homes and Extended Care Association in November 2001 (Hobart – Tasmania). These provided opportunities to promote the Agency's education packages, provide feedback on accreditation and network with representatives from the sector.
- By August 2001, all Agency offices had participated in workshops dealing with the legal aspects of report-writing, natural justice and decision-making.
- The first-ever national workshop of all Agency-employed quality assessors and decision-makers was held in Melbourne on 25 and 26 June 2002. Subjects included consideration of compliance with the Accreditation Standards; resident focus; serious risk; and dealing with residents with cognitive impairment.
- In June 2002 a series of refresher training workshops in audit methodology, for all quality assessors (employed by the Agency and externally contracted quality assessors) began. An audit methodology handbook has been designed to complement the training.
- In the reporting period approximately 70 face-to-face information sessions for industry about Accreditation Mark II were held across Australia.
- The development of an education strategy specifically for Indigenous services is ongoing. A working group has been established and includes Indigenous contract quality assessors, Agency quality assessors and people from the industry who are specialists in Indigenous education. The working group will propose strategies to the General Manager, Education.
- On 11 June 2002, the Minister for Ageing, the Hon Kevin Andrews, MP, launched the national 'roadshow' on aged care, a series of information sessions presented in June and July by the Department of Health and Ageing, the Commissioner for Complaints and the Aged Care Standards and Accreditation Agency.

Rob Knowles, Commissioner for Complaints; Jane Bailey, Assistant Secretary, Quality Outcomes Branch, DHA, and Kristina Vesk, Communications Manager, Aged Care Standards and Accreditation Agency, explained the roles of the three organisations and how they intersect, forming the regulatory framework for residential aged care. More than 1,300 representatives of the aged care sector attended.

Sessions were held at:

Melbourne (x2)	Wollongong
Adelaide	Hobart
Perth	Launceston
Bunbury	Ballarat
Armidale	Canberra
Newcastle	Darwin
Albury	Cairns
Moe	Rockhampton
Sydney (x2)	Brisbane

All participants were given feedback forms, which among other things sought suggestions for education and information products. The results of the surveys will be collated and the Agency will examine them in consultation with its peak advisory body, the National Agency Liaison Group.

While there were a number of common themes – such as the burden of paperwork and the obstacles to attracting and retaining staff – there were also some inspiring stories of how individual homes had overcome these problems. Suggestions for education included more information about resident focus, streamlining paperwork and complaints handling.

Satisfaction surveys were completed by 534 people attending roadshow sessions – 90% rated the sessions as satisfactory to excellent, while 8% rated them as fair, and 2% rated them as poor. Aged care providers, care managers, directors of nursing and aged care home staff made up more than 82% of survey respondents.

- A major source of information for industry, the community and consumers and their families is via the Agency's website at www.accreditation.aust.com. Over the period the average number of page views was 60,000 a month, showing a peak in April and May 2002. The most accessed page is the reports page. All accreditation and review audit reports and decisions are published on the website.
- The Agency's newsletter, *The Standard* is published quarterly and is sent by mail to every accredited aged care home, as well as various interested individuals and representatives of industry and consumer groups, and Aged Care Assessment Teams. It is also published on the Agency's website.
- In June 2002, it was announced that the Agency would establish a dedicated specialist education division, to be headed by a General Manager, Education who will report directly to the CEO.

Consultation

The Agency participates in a number of consultative forums, but in the pursuit of its own vision and mission has established the National Agency Liaison Group as the principal mechanism for formal Agency liaison with the aged care sector. A list of members is at Appendix 2.

The Agency is committed to good governance, inclusive of an effective and efficient advisory and consultation mechanism with the sector which it serves. The National Agency Liaison Group is an essential component of the Agency's consultation process with the aged care sector, ensuring that the viewpoints of all stakeholders are made known and considered by the Agency.

Three Board directors – Professor Kincaid-Smith, Mrs Betty Johnson and Mr Terry Healey – have been appointed by the Board to work with the National Agency Liaison Group in facilitating partnerships between the Agency and the sector.

There are also state and territory Agency Liaison Groups. These Groups meet regularly to discuss industry trends, provide feedback on Agency policies and processes and suggest areas for improvement. Conversely, the Agency provides feedback and information to the Groups, who then communicate to their organisations.

Significant Changes in State of Affairs

A significant new division is being established in the national office to provide education and training products and services to the aged care sector.

A new awards scheme, the 'submission for higher ratings', has been introduced to complement the accreditation process. The awards scheme is voluntary, and requires a detailed submission from providers who choose to be considered for the award of a 'commendable' or 'merit' recognition.

The Board has agreed a new management structure for the company, which will see four new divisions – of education, accreditation, corporate services, and communication – created in the national office. A general manager, who will report directly to the chief executive officer, will lead each division. Corporate and policy functions of the company will be centralised into the national office, under the new structure. State and territory offices of the Agency will continue to deliver the core functions of the company.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Areas of Risk and Likely Developments

The company has a funding agreement with the Commonwealth Department of Health and Ageing, pursuant to which it carries out its functions in accordance with the *Accreditation Grant Principles 1999*. The Principles have the force of legislation and can be amended by Parliament. The fees that the company can charge for accreditation and other goods and services are set down in these Principles, and no provision is made for annual increases in accordance with CPI, hence the real value of the income derived from accreditation fees has reduced over time.

The company will seek to renegotiate the funding agreement with the Commonwealth in the 2002-03 financial year.

The company is required to comply with certain directions in relation to the general policies of the government, in accordance with the *Commonwealth Authorities and Companies Act 1997* and these or amendments to legislation could have a direct impact on the company's operations.

In June 2002, a performance audit by the Australian National Audit Office commenced. Specifically, the audit will examine whether the company's management of the accreditation process is sound. The findings of the audit could lead to recommendations and policy changes that would have a financial impact on the company's operations.

Audit Committee

The Committee's responsibilities are to:

- Oversee the existence and maintenance of internal controls and accounting systems
- Oversee the financial reporting process
- Nominate external auditors
- Review the existing external audit arrangements
- Help the Company and the Directors to comply with obligations under articles and the law
- Provide a forum for communication between Directors, senior management and auditors.

Meetings of Directors

During the financial year meetings of Directors, including attendance at Board committees, were as detailed in schedule below.

Directors' and Officers' Indemnification

The Company has, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- Indemnified against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; and

- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

During or since the financial year the company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium paid was \$20,000 for all directors and officers.

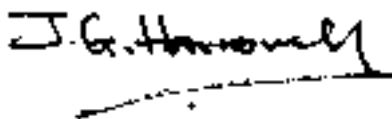
	BOARD	AUDIT & FINANCE COMMITTEE	REMUNERATION COMMITTEE	EDUCATION & TRAINING COMMITTEE
J Harrowell	11	–	6	–
T Healey	8	9	–	–
B Johnson, AO	9	–	–	3
P Kincaid-Smith, AC	10	–	–	4
J Lang, OAM	11	11	6	–
J Longley	2	–	–	–
J Pascoe, AO	5	–	–	–
P Toohey	11	–	6	4
H Williams	11	11	–	–
R Nay	1	–	–	–
Total number of meetings held	11	11	6	4

Directors' Benefits

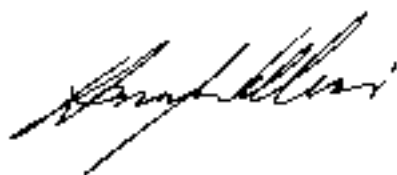
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or a related body corporate with a director, a firm of which a director is a member or any entity in which a director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity or related body corporate.

Signed in accordance with a resolution of the Board of Directors.



Director



Director

Dated 10 SEPTEMBER 2002

Statement of Financial Performance

YEAR ENDED 30 JUNE 2002	Note	2002 (\$)	2001 (\$)
Revenue from ordinary activities	2	13,155,979	23,859,806
Employee expenses		(11,888,004)	(14,954,365)
Depreciation and amortisation		(965,270)	(1,175,538)
Other expenses from ordinary activities	2	(4,349,785)	(5,160,949)
Net Profit (Loss)		(4,047,080)	2,568,954
Total changes in equity other than those resulting from transactions with owners as owners		(4,047,080)	2,568,954

The accompanying notes form an integral part of this Statement of Financial Performance.

Statement of Financial Position

AS AT 30 JUNE 2002	NOTE	2002 (\$)	2001 (\$)
Current Assets			
Cash Assets	6	3,424,376	6,632,968
Receivables		338,820	318,854
Other	7	114,875	67,766
Total Current Assets		3,878,071	7,019,588
Non-Current Assets			
Property, plant and equipment	8	1,457,153	2,077,703
Total Non-Current Assets		1,457,153	2,077,703
TOTAL ASSETS		5,335,224	9,097,291
Current Liabilities			
Payables	9	748,304	762,283
Provisions	10	726,068	684,141
Other	11	1,161,823	1,023,758
Total Current Liabilities		2,636,195	2,470,182
Non-Current Liabilities			
Provisions	12	119,000	–
Total Non-Current Liabilities		119,000	–
TOTAL LIABILITIES		2,755,195	2,470,182
NET ASSETS		2,580,029	6,627,109
Equity retained profits	13	2,580,029	6,627,109
TOTAL EQUITY		2,580,029	6,627,109

The accompanying notes form part of this Statement of Financial Position.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2002	NOTE	2002 (\$)	2001 (\$)
Cash Flows From Operating Activities			
Receipts from customers and government grants		13,298,918	12,285,196
Payments to suppliers and employees		(16,820,967)	(20,876,572)
Interest received		232,974	472,419
GST received		425,203	645,815
Net Operating Cash Flows	5	<u>(2,863,872)</u>	<u>(7,473,142)</u>
Cash Flows From Investing Activities			
Purchase of fixed assets		(344,720)	(436,569)
Proceeds on disposal of fixed assets		–	14,556
Net Investing Cash Flows		<u>(344,720)</u>	<u>(422,013)</u>
Net Decrease In Cash Held		(3,208,592)	(7,895,155)
Cash At 1 July 2001		6,632,968	14,528,123
Cash At 30 June 2002	6	<u>3,424,376</u>	<u>6,632,968</u>

The accompanying notes form part of this Statement of Cash Flows.

Notes to the Financial Statements

YEAR ENDED 30 JUNE 2002

1. STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with accounting standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Aged Care Standards and Accreditation Agency Limited. Aged Care Standards and Accreditation Agency Limited is a public, unlisted company limited by guarantee, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis, and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Revenue Recognition

Accreditation fees are paid at application and brought to revenue proportionately as work is completed at the desk and site audits. Monies not brought to account as revenue are carried as Unearned Income.

Federal Government funding is brought to account in the month it is received. Interest received is brought to account in the month it was earned.

Income Tax

The Company has received a private ruling exempting it from income tax.

Property, Plant and Equipment

Plant and Equipment are measured on the cost basis.

The carrying amount of the plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated over their useful lives on a diminishing value basis to the economic entity commencing from the time the asset is held ready for use.

The current rates of depreciation by category are:

Computers	40%
Furniture and fittings	20%
Other equipment	25%

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

The economic entity changed its accounting policy in the financial year ending 30 June 2002 relating to accounting for sick leave obligations. The financial effect of this change in accounting policy has been to write back the previous financial year's sick leave provision of \$116,226 to employee expenses within the financial year ending 30 June 2002.

In the current year ending 30 June 2002 provision has been made for long service leave entitlements of employees who have reached four years service. No provision was made in the prior year.

Contributions made by the economic entity to employee superannuation funds are charged as expenses when incurred.

Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of the financial position are shown inclusive of GST.

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

2. OPERATING PROFIT

Operating profit/(loss) has been determined after:

CREDITING AS INCOME

	2002 (\$)	2001 (\$)
Operating Revenue		
Government grants received	11,283,000	10,618,000
Accreditation revenue	1,675,647	12,615,664
Spot check revenue	6,400	139,345
Interest	190,198	472,419
Training & other revenue	734	(178)
Proceeds on disposal of property, plant and equipment	–	14,556
Revenue from Ordinary Activities	<u>13,155,979</u>	<u>23,859,806</u>

CHARGING AS EXPENSES

Depreciation of non-current assets: Property, plant and equipment	965,270	1,175,538
Employee entitlements	1,009,111	799,585
Other Expenses		
Travel	1,159,718	1,496,442
Telephones and communications	248,661	285,900
Printing and stationery	214,909	163,455
Legal	292,626	974,663
Other	1,340,498	1,140,399
Net gain on sale of fixed assets	–	(3,928)
Rental expense on operating leases	1,093,373	1,104,018
Total Other Expenses from Ordinary Activities	<u>4,349,785</u>	<u>5,160,949</u>

3. REMUNERATION AND RETIREMENT BENEFITS

	2002 (\$)	2001(\$)
Directors' Remuneration		
Income paid or payable to all directors	170,105	160,751
\$0 - \$9,999	2	-
\$10,000 - \$19,999	7	9
\$30,000 - \$39,999	1	1

The names of directors who have held office during the financial year are:

Mr James Harrowell
 Mr Terence Healey
 Mrs Betty Johnson, AO
 Professor Priscilla Kincaid-Smith, AC
 Mr John Lang, OAM
 Mr James Longley (resigned 22 September 2001)
 Mr Peter Toohey
 Mr Henry Williams
 Mr. John Pascoe, AO (resigned 19 August 2002)
 Professor Rhonda Nay (appointed 24 June 2002)

4. AUDITORS REMUNERATION

Auditing the accounts	30,000	18,000
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5. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS)

CASH

For the purpose of the statement of cash flows, cash includes:

- Cash on hand and in all call deposits with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments with less than 90 days to maturity.

	2002 (\$)	2001 (\$)
Operating profit/(loss)	(4,047,080)	2,568,954
Non-cash flows in operating profit		
Depreciation	965,270	1,175,538
Loss /(gain) on sale of fixed asset	–	(3,928)
Changes in assets and liabilities		
(Increase)/Decrease in receivables	(19,966)	619,443
(Increase)/Decrease in prepayments	(47,109)	(22,952)
Increase/(Decrease) in payables	(13,979)	(592,907)
Increase/(Decrease) in other liabilities	138,065	(11,323,453)
Increase/(Decrease) in provisions (current)	41,927	106,163
Increase/(Decrease) in provisions (non-current)	119,000	–
Cash Flows from Operations	<u>(2,863,872)</u>	<u>(7,473,142)</u>

6. CASH

Cash at bank	<u>3,424,376</u>	<u>6,632,968</u>
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7. OTHER ASSETS

Current Prepayments	<u>114,875</u>	<u>67,766</u>
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8. PROPERTY, PLANT AND EQUIPMENT

	2002 (\$)	2001 (\$)
Furniture and fittings		
Cost		
Opening	1,473,901	1,075,968
Additions	115,505	414,791
Disposals	–	(16,858)
Closing	<u>1,589,406</u>	<u>1,473,901</u>
Accumulated depreciation		
Opening	(556,264)	(308,466)
Depreciation expense	(419,595)	(254,531)
Write back on disposals		6,733
Closing	<u>(975,859)</u>	<u>(556,264)</u>
Net, Furniture and Fittings	<u>613,547</u>	<u>917,637</u>
Computers		
Cost		
Opening	2,500,444	2,351,336
Additions	222,452	149,108
Closing	<u>2,722,896</u>	<u>2,500,444</u>
Accumulated depreciation		
Opening	(1,422,371)	(535,088)
Depreciation expense	(525,464)	(887,283)
Closing	<u>(1,947,835)</u>	<u>(1,422,371)</u>
Net, Computers	<u>775,061</u>	<u>1,078,073</u>
Office equipment		
Cost		
Opening	171,122	158,744
Additions	6,763	12,378
Closing	<u>177,885</u>	<u>171,122</u>
Accumulated depreciation		
Opening	(89,129)	(55,405)
Depreciation expense	(20,211)	(33,724)
Closing	<u>(109,340)</u>	<u>(89,129)</u>
Net, Office Equipment	<u>68,545</u>	<u>81,993</u>
Total Property, Plant and Equipment	<u>1,457,153</u>	<u>2,077,703</u>

9. ACCOUNTS PAYABLE

Current		
Unsecured liabilities		
Trade creditors	748,304	762,283

10. PROVISIONS

Current		
Annual leave	647,068	567,915
Sick leave	–	116,226
Employee bonuses	70,000	–
Audit provision	9,000	–
Total Current Provisions	726,068	684,141

11. OTHER CURRENT LIABILITIES

Unearned income	1,009,246	830,367
Accrued expenses	152,577	193,391
Total Other Current Liabilities	1,161,823	1,023,758

12. PROVISIONS

Non-current		
Long service leave	119,000	–
Total Non-current Provisions	119,000	–
Aggregate employee entitlement liability (refer to notes 10 and 12)	836,068	684,141
The number of full time equivalent staff employed as at 30 June are:	147	160

13. RETAINED PROFITS

Retained profits at the beginning of the financial year	6,627,109	4,058,155
Net profit/(loss)	(4,047,080)	2,568,954
Retained Profits at the End of the Financial Year	2,580,029	6,627,109

14. ISSUED CAPITAL

The Company is limited by guarantee. If the company is wound up, the memorandum of association states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the company. At 30 June 2002 the number of members was five (2001, five).

15. EXPENDITURE COMMITMENTS

	2002 (\$)	2001 (\$)
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts		
Payable:		
Not longer than 1 year	1,057,328	572,244
Longer than 1 year but not longer than 5 years	1,411,266	703,536
Longer than 5 years	–	–
	2,468,594	1,275,780
(b) Chiron License Fees paid 2 July 2001	–	210,000
(c) Capital Expenditure Commitments		
Commitments contracted for		
Plant and equipment purchases	283,265	–
Capital expenditure projects	–	–
	283,265	
Payable:		
Not longer than 1 year	283,265	–
Longer than 1 year but not longer than 5 years	–	–
Longer than 5 years	–	–
	283,265	–

16. CONTINGENT LIABILITIES

One AAT matter was pending at year-end with no liability expected, subsequent to year-end this matter was withdrawn. One matter was brought to the AAT subsequent to year-end, with no liability expected. Costs are estimated at \$40,000.

17. FINANCIAL INSTRUMENTS

Financial assets

Cash and deposits are recognised in the Statement of Financial Position at their nominal value. Interest is credited to revenue as received. The effective weighted average interest rate for cash deposits at 30th June was 4.61%. Receivables are normally settled within 30 days.

Financial liabilities

Liabilities are recognised at their nominal value in the Statement of Financial Position for amounts to be paid in the future for goods and services received, whether or not billed. Trade Creditors are normally settled within 30 days.

INTEREST RATE RISK EXPOSURES

2002	Floating interest rate	Non interest bearing	Total	Average Interest Floating %
Financial assets				
Cash	3,424,376	–	3,424,376	4.61
Receivables	–	338,820	338,820	–
	<u>3,424,376</u>	<u>338,820</u>	<u>3,763,196</u>	
Total assets	–	–	5,335,224	
Financial liabilities				
Payables	–	748,304	748,304	–
Other	–	152,577	152,577	–
Provisions	–	79,000	79,000	–
	<u>–</u>	<u>979,881</u>	<u>979,881</u>	
Total liabilities	–	–	2,755,195	
2001	Floating interest rate	Non interest bearing	Total	Average Interest Floating %
Financial assets				
Cash	6,632,968	–	6,632,968	4.72
Receivables	–	318,854	318,854	–
	<u>6,632,968</u>	<u>318,854</u>	<u>6,951,822</u>	
Total assets	–	–	9,079,291	
Financial liabilities				
Payables	–	762,283	762,283	–
Other	–	193,391	193,391	–
	<u>–</u>	<u>955,674</u>	<u>955,674</u>	
Total liabilities	–	–	2,470,182	

Credit Risk

The Agency's credit risk is limited to the value of assets carried in our Statement of Financial Position. Receivables included in these balances are monies outstanding from The Department of Health and Ageing.

18. ECONOMIC DEPENDENCY

The operations of the company are dependent on an annual monetary grant from the Commonwealth Government.

19. SEGMENT REPORTING

The entity operates in one industry (aged care) within one geographical location (Australia).

Directors' Declaration

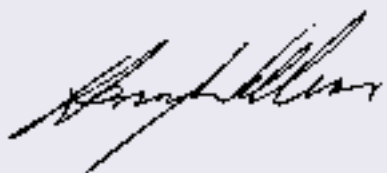
The directors declare that:

- (a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;
- (b) The financial statements and notes give a true and fair view of the financial position as at 30 June 2002 and performance of the company for the year then ended;
- (c) In the directors' opinion;
 - (i) there are reasonable grounds to believe that the company will be able to pay its debts as when they become due and payable.
 - (ii) The financial statements and notes are in accordance with Corporations Act 2001, including sections 296 and 297.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Director



Director

Dated 10 SEPTEMBER 2002

Independent Audit Report



INDEPENDENT AUDIT REPORT

To the members of Aged Care Standards and Accreditation Agency Limited

Scope

I have audited the financial report of the Aged Care Standards and Accreditation Agency Limited for the year ended 30 June 2002. The financial report comprises:

- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flows;
- Notes to and forming part of the Financial Report; and
- Directors' Declaration.

The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance whether the financial report is free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with my understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Aged Care Standards and Accreditation Agency Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2002 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Australian National Audit Office



P Hinchey
Senior Director

For the Auditor-General

Sydney
19 September 2002

management and accountability

Management Approach

Under the direction of the Board, the Agency is committed to the continuous improvement of its own processes and relies very much on feedback provided by its stakeholders. The Agency has established systems for inviting feedback on all its processes and the results of this feedback are presented below. All residential aged care homes in the country are invited to comment on the accreditation process and make suggestions for improvement.

The legislative framework establishes the Agency's operating environment. The Agency's relationship with the Commonwealth government, through the Department of Health and Ageing, further clarifies strategic and corporate goals. Within this legislated framework, the Agency has absolute independence in its decision-making. Decision-making is delegated by the chief executive officer to authorised decision-makers in each state and territory office.

Workforce Planning

The staff of the Agency are employed on limited period, individual contracts. Staff are encouraged to participate in operational planning and improvement cycles. There are annual performance reviews. In addition, the Agency relies on an external contracted workforce, of clerical staff and registered quality assessors, to meet the higher resource requirements during the peak accreditation periods.

Human Resource Management

Table 4 identifies the number of staff employed by the Agency as at 30 June 2002.

There were 146.8 staff employed across Australia as at 30 June 2002, 49 per cent of whom were registered aged care quality assessors undertaking assessment functions.

Table 4: Agency staff numbers as at 30 June 2002

	NAT	NSW	VIC	TAS	QLD	SA	WA	Total
Managers	3	1	1		1	1	1	8
Coordinators		2	2		1	1	1	7
Assessors		18	23.2	1	14	6.8	8	71
Accreditation Clerks		7	9		2	2	2	22
Clerical	7.8	7	7.4		5	1.6	3	31.8
Directors	7							7
Total	17.8	35	42.6	1	23	12.4	15	146.8

External Assessor Workforce

During the period 2001-2002, the Agency ensured the external assessor workforce were kept informed and up-to-date. This was achieved using a variety of strategies including regular seminars and workshops offered by Agency state and territory offices. Recognising that the availability of accreditation audits was limited, QSA as the registrar has given consideration to other auditing experience when considering the ongoing registration of quality assessors. The assessor handbook has been made available to all registered quality assessors who have attended audit methodology training seminars.

There were 327 registered external contract quality assessors at 30 June 2002. A contract assessor workforce has delivered a range of benefits including:

- Enabling aged care homes to choose both Agency quality assessors and contract assessors for inclusion in assessment teams
- Providing industry input and expertise by engaging experienced professionals from the sector
- Supporting the flexible workforce required for the cost-effective management of a cyclical accreditation process.

Feedback Mechanisms

The Agency has put in place a number of mechanisms to ensure it gains feedback on its own performance. Formal feedback is sought via questionnaires on the site audit process, site audit report and support contact (site).

Tables 5, 6 and 7 illustrate the proportion of respondents who strongly agree, agree, disagree or strongly disagree with the statements indicated from the site audit (process), site audit report and support contact (site) feedback questionnaires.

Table 5: Satisfaction with site audit

Statement	Strongly Agree	Agree	Disagree/ Strongly disagree	Did not answer
The Statement of Major Findings was useful in providing a summary of the team's findings.	60.98	32.11	1.18	5.73
Overall, the site audit was a satisfying and useful experience.	64.92	26.57	3.97	4.54

Table 6: Satisfaction with site audit report

Statement	Strongly Agree	Agree	Disagree/ Strongly disagree	Did not answer
The site audit report will be useful in guiding planning for the improvement in our service.	57.02	42.98	0	0
Overall, we are satisfied with the site audit report.	52.45	45.63	1.92	0

Table 7: Satisfaction with support contact (site)

Statement	Strongly Agree	Agree	Disagree/ Strongly disagree	Did not answer
The assessor/s were professional and courteous throughout the visit.	76.18	22.11	0.81	0.90
Overall, the support contact (site) was a satisfying and useful experience.	63.63	30.80	4.43	1.14

Complaints

Complaints about the conduct of registered assessors can be made to the Registrar, Quality Society of Australasia (contact details at Appendix 1). Any complaints will be acknowledged and investigated by QSA and the Agency. If necessary, the outcome of the investigation will be forwarded to the

Auditor Certification Panel and the Certifications Review Board, for consideration and a ruling. Substantiated evidence of unacceptable performance or misconduct may result in withdrawal of registration. In the period 2001-2002 nine written complaints were received by QSA.

Occupational Health and Safety

The Agency maintains a safe and healthy working environment for its staff.

Occupational health and safety (OH&S) committees are established at the larger office locations (in accordance with state legislation), with OH&S representatives in the smaller offices. OH&S is supported by corporate occupational health and safety policies.

In 2001-2002 time lost because of injury amounted to 158.45 hours.

Environment Protection and Biodiversity Conservation Act 1999

The Agency has no formal method of reporting its environmental performance due to its low impact activities, but the Agency is committed to minimising negative impacts on the environment. Strategies include:

- Recycling paper (through re-use of scrap paper and dedicated recycling bins)
- Recycling toner cartridges
- Recycling other waste (eg cans, glass – where recycling services are available)
- Purchase of electrical equipment with energy-efficient ratings
- Office lights switched off when office not occupied.

Outlook in 2002-2003

The 2002-03 financial year will see a significant increase in accreditation activity as the majority of homes accredited in 2000 were accredited for three-years, and these homes will be due for their second accreditation application and audit. The Agency will be relying strongly on external contractors to assist it to meet this period of peak demand. Supervisory visits such as support contacts and review audits will continue, though not with the same frequency, given the extensive visiting schedule created by the 'second round' of accreditation.

There will be a significant increase in education activity, with the newly formed education division of the Agency expected to be fully established by early 2003.

The management restructure will be completed over the year ahead and much of the internal focus will be devoted to ensuring that this transition is smooth and delivers better outcomes for internal and external stakeholders.

Appendixes

1. CONTACT DETAILS

I. AGED CARE STANDARDS AND ACCREDITATION AGENCY

National office

Suite 1, level 1
10 Smith St, Parramatta NSW 2150
Postal: PO Box 773, Parramatta NSW 2124

Tel: 02 96331711
Fax: 02 9633 2422

New South Wales and ACT

Level 11,
100-108 George St, Parramatta NSW 2150
Postal: PO Box 674, Parramatta NSW 2124

Tel: 02 9633 2099
Fax: 02 9687 0415

Queensland

The Terrace Office Park
Level 2, South Tower
527 Gregory Terrace, Bowen Hills QLD 4006
Postal: PO Box 1032, Spring Hill QLD 4004

Tel: 07 3852 3100
Fax: 07 3852 3011

Western Australia

Haines Norton Building
The Gardens Office Park
355 Scarborough Beach Rd
Osborne Park WA 6017
Postal: PO Box 718, Osborne Park WA 6916

Tel: 08 9201 1344
Fax: 08 9201 1355

Victoria

First floor
1183 Toorak Rd, Camberwell VIC 3124
Postal: PO Box 1001, Hartwell VIC 3124

Tel: 03 9889 9433
Fax: 03 9889 9621

South Australia and Northern Territory
Suite 1
245 Fullarton Rd, Eastwood SA 5063
Postal: PO Box 292, Fullarton SA 5063

Tel: 08 8272 3766
Fax: 08 8272 6566

Tasmania

Level 2, 17 Morrison St, Hobart TAS 7000
Postal: GPO Box 313, Hobart TAS 7001

Tel: 03 6224 4447
Fax: 03 6224 4449

General inquiries

national@accreditation.aust.com

II. DEPARTMENT OF HEALTH AND AGEING

Department of Health and Ageing
GPO Box 9848, Canberra ACT 2601

Tel: 02 6289 1555
Fax: 02 6289 1304

III. QUALITY SOCIETY OF AUSTRALASIA

Central office

PO Box 203, Parramatta NSW 2124

Tel: 02 8833 6400
Fax: 02 9635 8533

2. NATIONAL AGENCY LIAISON GROUP MEMBERS

Ms Helen Kurincic	Executive Director	Anglican Aged Care Services Group
Mr Dallas Mulhall	Legacy Representative	National Ex-Service Round Table on Aged Care (NERTAC)
Mr Bruce Shaw		Uniting Care Australia
Mrs Sheila Rimmer		Council on the Ageing (Australia)
Mr Denis Jones	A/Federal Secretary	Australian Nursing Federation
Ms June Heinrich	Chief Executive Officer	Baptist Community Services
Mr Glenn Rees	National Executive Director	Alzheimer's Association
Mr Richard Gray	Director, Aged Care Services	Catholic Health Australia
Mr Rod Young	Chief Executive	ANHECA
Mr Greg Mundy	Chief Executive Officer	Aged and Community Services Australia
Mr David Deans	Chief Executive	National Seniors Association
Ms Averil Fink		Carers Association
Mr Michael Willis	Manager	Anglican Care of the Aged
Ms Norah McGuire	President	Combined Pensioners & Superannuants NSW

NB: Mr Bruce Shaw has since resigned his position; however, he was present at the 16 July 2002 meeting.

