

annual report  
2002-2003



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

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<http://www.accreditation.aust.com>

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**Annual Report 2002 – 2003**

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# message from the chairman

2002-03 has been another successful and busy year for the Aged Care Standards and Accreditation Agency. The second round of accreditation is nearly complete and we have found that continuous improvement is more than a management concept: it's a way of life for most aged care homes.

The feedback from homes has been enormously positive. The experience gained from round one has benefited both assessors and homes; the process this time is more relaxed and therefore more constructive.

I am pleased to report that the majority of aged care homes comply with the Accreditation Standards and constantly look at the needs and preferences of their residents and how they could be better met. Assessors have reported that there is a stronger resident focus in homes, leading to improved quality of care and services.

In particular, I congratulate those outstanding homes that successfully applied for recognition through the higher rating awards scheme introduced by the Agency in May 2002. In the reporting period, 10 homes were recognised as merit and three homes received the highest award of commendable. These homes all demonstrated excellence and achieved results for their residents well beyond the requirements of the Accreditation Standards.

The new management structure I reported last year as being implemented is now in place. The Chief Executive Officer, Mr Mark Brandon, commenced his appointment in November 2002. He is supported by four General Managers of divisions of Accreditation; Education; Corporate Services; and Corporate Affairs. The 'Message from the Chief Executive Officer' details the new structure and management approach.

The *Accreditation Grant Principles 1999* require the Agency to promote high quality care, and help industry to improve service quality, by identifying best practices and providing information, education and training to industry. The Agency is in the unique position of having access to quantitative and qualitative data on industry accreditation performance, which means we are well placed to identify better practices and to target education activities appropriately.

While the Agency has provided education products in the past, the creation of a dedicated education division has strengthened our focus on this important function, which we believe is critical to encourage continuous improvement in the quality of life for older Australians in care.

The Agency's 2003-05 corporate plan includes several key strategies for the delivery of education. An industry needs-analysis will build on the information we already have from survey and feedback data, accreditation results, and discussions with approved providers and Agency staff.

Education sessions will be offered as an adjunct to support contacts, and providers will be able to choose a program that best suits their needs. Case studies will be used to ensure the

relevance of theory to practice, and events to celebrate and disseminate information about better practices will be held.

Our increasing range of education products and services will deliver tangible benefits for aged care providers and residents.

In addition to education, key corporate goals for the coming year include increasing the levels of compliance of aged care homes by the strategic management of accreditation, a case-management approach, targeting support contacts and spot checks; improving quality and service provision; and obtaining accreditation of the company.

The Agency has been rigorously examined in terms of its own performance. In the previous reporting period, the Australian National Audit Office commenced a performance audit of the Agency to examine the effectiveness of the management of the accreditation process. The ANAO's audit was thorough and extensive, with the audit team comprehensively analysing all aspects of the Agency's business operations.

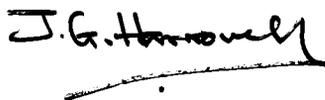
Their report was tabled in Parliament in May 2003, and concluded that the Agency had identified its legislative responsibilities and had implemented

adequate processes to meet them. The report made six recommendations, mainly related to internal management matters, which the Agency accepted. The Chief Executive Officer has reported on progress against the recommendations.

It is with great sadness that I report the death in June 2003 of Mr Terry Healey, OAM. Terry was a Director of the Agency since its inception. His depth of experience in aged care and his strong business acumen were an asset to the Board. Above all, it was Terry's passionate commitment to the dignity of older Australians in residential care that inspired all those who worked with him. Before he died, Terry told me that he originally accepted the invitation to join the Board because he hoped that the Agency would 'make a difference'. We are grateful that he accepted that invitation. Terry's legacy is the improvement in the quality of life for those in care and to honour Terry's memory we need to ensure the work continues.

I am confident that the work will continue: the Agency's people are energetic and committed to improving aged care, and they approach their work with professionalism and integrity. On behalf of the Board, I would like to thank all staff and contract quality assessors for their efforts in helping the Agency to continue to successfully achieve our goals.

In addition to the peak accreditation workload and the regular spot checks, support contacts and review audits, our staff have worked through the internal restructuring of the Agency. Their support for this process and our corporate plan for the future lays a very strong foundation on which the Agency can continuously improve and work with providers, to ensure there is continuous improvement in the quality of care for all residents.

A handwritten signature in black ink, reading "J. G. Harrowell". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Jim Harrowell  
CHAIRMAN

# message from the chief executive officer

As the Chief Executive Officer of the Agency since November 2002, I am proud of the achievements made by the Agency in the past year.

We have implemented substantial internal improvements over the past several months, as well as making more than 3,000 visits to aged care homes and processing three-quarters of the 'second round' of accreditation. I commend staff on their drive and commitment to quality, which has ensured the success of all these endeavours, and I thank the Board for their support and leadership.

The new senior management structure is now in place. This has given us the opportunity to focus more sharply on our core business. The structure comprises four divisions: the primary business units of Accreditation, and Education; and the support divisions of Corporate Affairs and Corporate Services. The four divisional General Managers, the State Managers and the Chief Executive Officer form the Agency Leadership Team. Common state structures will be in place before the end of the 2003 calendar year.

We have looked closely at our internal processes and taken action to streamline and where appropriate, centralise. Our financial management systems have been redeveloped and the chart of accounts and financial reporting system has been restructured to support reporting by cost centre, function and activity. The new cost attribution structure is being used for 2003-04.

The Agency agreed with all six recommendations made by the Australian National Audit Office in their report of May 2003, and has made significant progress in each area. At the time of the audit we were also well underway implementing other changes in our management systems and processes. Most of the improvements planned go beyond the recommendations of the ANAO. Performance indicators for all areas of the

business have been included in the corporate plan, and a project scope to evaluate the impact of accreditation on the quality of aged care is being developed in conjunction with the Department of Health and Ageing.

Quality assurance systems have been strengthened, new systems introduced and some functions centralised to ensure consistency in assessment and decision-making. The training and selection of quality assessors is being reviewed and competency models have been finalised.

A project to evaluate the efficacy of the management information systems and information technology is being scoped. In relation to quality accreditation of the Agency, a formal 'Expressions of Interest' document was released in May 2003 and discussions have taken place with potential suppliers. Accreditation by July 2004 is a key goal in the Agency's corporate plan.

While the overall performance of the aged care industry is high, there is room for improvement. The introduction of a revised case management approach is designed to ensure that homes needing improvement take quick action to remedy deficiencies and adopt systems that will see those improvements sustained over time. Our experience is that the majority of homes that have had non-compliance work hard to remedy it, and are committed to achieving systemic improvement. The strategic management of accreditation and targeted spot checks and support contacts will ensure a robust and comprehensive supervision program of aged care homes.

There are hundreds of homes achieving very high quality results and we will facilitate the sharing of their initiatives throughout the sector. The higher rating awards scheme has demonstrated that there are homes in Australia achieving outstanding results across all areas of care and services, and a commitment to sharing knowledge and experience. Summaries of the commendable and merit homes are published on our website and their stories are inspiring.

We are committed to helping the industry meet the challenges of providing aged care, and our education initiatives are designed to promote high quality care and to help industry improve service quality. Strategies include a detailed analysis of industry education needs, case studies and articles in the Agency's newsletter, *The Standard*, and training programs to be delivered in conjunction with support contacts. A program of half-day seminars on different topics will be run over the coming year. For example, from July to September 2003, more than 1400 people attended *Turning data into action!* which explained the fundamentals of collecting, collating and analysing data and using it to drive improvements.

We will also be organising events to celebrate and disseminate information about better practices, and will explore opportunities to better use technology in the delivery of aged care.

During the year executives of the Agency have routinely met with stakeholders and made presentations at industry conferences.

In August 2003, the Minister for Ageing, the Hon Kevin Andrews MP, announced that the Agency would be part of a \$1.2 million project to trial satellite technology in the provision of education and training. The pilot project will assist 100 small aged care homes to access education through satellite television. Homes participating in the pilot will have access to all the general programs available through the Aged Care Channel (from late 2003) as well as access to Agency-sponsored education and training (from May - October 2004). The Agency will be working with the Aged Care Channel and Anglican Retirement Villages, Diocese of Sydney, to develop six television programs; one for the trainer and five relating to dementia. The facilitator/trainer in the home will complement the programs with on-the-job training.

Clearly, we have a busy year ahead of us, consolidating past achievements and building new opportunities. I am pleased to be leading the Agency as it takes on these exciting challenges and I am optimistic about our future, knowing that we have the competence, skills and commitment to achieve our goals.

A handwritten signature in black ink, appearing to be 'Mark Brandon', with a horizontal line extending to the right.

Mark Brandon  
CHIEF EXECUTIVE OFFICER



part one

# overview of the agency

*The Aged Care Standards and Accreditation Agency Limited (the Agency) is an independent company, wholly-owned by the Australian 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*.



## Agency Structure

The Agency has responsibility for managing the accreditation of 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 offices responsible for delivering the core functions of accreditation and education to aged care homes.

### 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.

These offices are located in Sydney (national, New South Wales and Australian Capital Territory), Melbourne (Victoria and Tasmania, with a small branch office in Hobart), Brisbane (Queensland), Perth (Western Australia) and Adelaide (South Australia and the Northern Territory). Each 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 restructure of the Agency, foreshadowed by the Board in the previous reporting period, was implemented.

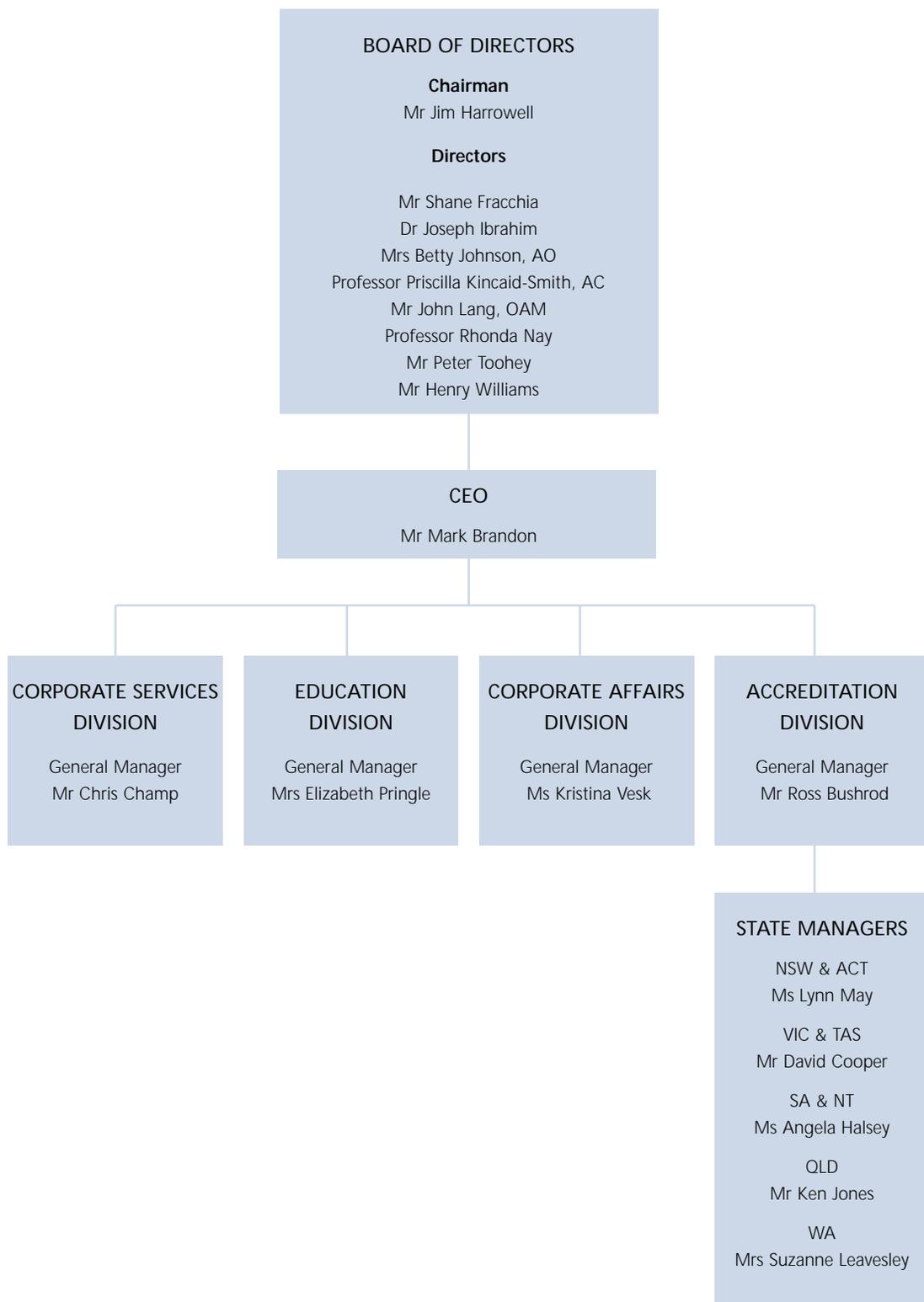
The management structure comprises the primary business units of Accreditation, and Education. The Corporate Affairs and Corporate Services divisions support these business units. The Chief Executive Officer, divisional General Managers and State Managers, form the Agency Leadership Team.

The organisation chart of the Agency as at 30 June 2003 is illustrated at Figure 1.

Details of the Board for the period 2002-03 are included in the Directors' Report at Part 2.

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 Department of Health and Ageing.

Figure 1: Organisation chart as at 30 June 2003



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

Table 1: Compliance action

ASSESSMENT TEAM	AGENCY	DEPARTMENT OF HEALTH AND AGEING
<p>Finds non-compliance in one or more of the expected outcomes of the Accreditation Standards during an accreditation audit, or a review audit</p>	<p>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)</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 that there is serious risk to the health, safety or wellbeing of a person receiving care, during an accreditation audit or review audit</p>	<p>Makes a decision about whether or not there is evidence of serious risk, and if so refers information plus a recommendation regarding sanctions to the Secretary, DHA, under s4.4 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 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 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 2002-03 against targets agreed with the Department of Health and Ageing.

*Table 2: Agency performance 2002-03*

INDICATOR	TARGET 2002 – 03	RESULT FOR THE PERIOD 1 JULY 2002 – 30 JUNE 2003
Accreditation audits	100% of all applications for accreditation audits conducted within statutory timeframe	100% per cent of all accreditation decisions made within statutory timeframe
Schedule of support contacts	Schedule of support contacts established for all accredited services	<p>The Agency has a policy to ensure that every accredited home receives at least one site support contact during its accredited period.</p> <p>Support contacts include random and targeted spot checks. From 1 July 2002 to 30 June 2003, 242 spot checks were conducted.</p> <p>Visits to homes with significant non-compliance or serious risk are coordinated with visits by authorised Commonwealth Officers.</p>
Contacts with services	Contacts conducted to include: <ul style="list-style-type: none"> <li>• accreditation site visits as required</li> <li>• up to 1300 support contacts</li> <li>• up to 320 review audits</li> <li>• at least 200 spot checks</li> </ul>	<ul style="list-style-type: none"> <li>• 1965 site audits for accreditation were conducted</li> <li>• 1519 support contacts were conducted (1310 site contacts, 209 desk)</li> <li>• 68 review audits were conducted</li> <li>• 242 spot checks were conducted</li> </ul>
Referral of non-compliant services to the Department of Health and Ageing	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	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 the Agency identifying it following receipt of a report. All non-compliance is notified to the

Table 2: Agency performance 2002-03 (continued)

INDICATOR	TARGET 2002 – 03	RESULT FOR THE PERIOD 1 JULY 2002 – 30 JUNE 2003
		<p>Department in accordance with the Agency's obligations under Part 4 of the <i>Accreditation Grant Principles 1999</i>.</p> <p>The protocol between the Agency and the Department dealing with non-compliance requires serious risk reports to be provided within 24 hours of initial notification (which is by phone or fax) from the Agency to the Department. The Agency has notified any instances of serious risk to the Department as soon as practicable, as required under the Accreditation Grant Principles.</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 newsletter, <i>The Standard</i>, is issued quarterly by mail to every accredited aged care home, interested individuals, representatives of industry and consumer groups, and aged care quality assessors. The newsletter is also published on the Agency website. In the reporting period the spring and summer (2002) issues were published and in autumn 2003 the Agency launched <i>The Standard</i> with its 'new look'. Each issue in the year 2003 will focus on one of the four Accreditation Standards, and showcase homes that have received a higher rating award. A readership survey was distributed with the autumn edition, and a summary of results was published in the winter edition.</p>

*Table 2: Agency performance 2002-03 (continued)*

INDICATOR	TARGET 2001 – 02	RESULT FOR THE PERIOD 1 JULY 2002 – 30 JUNE 2003
		<p>Regular improvements are made to the Agency website. In the reporting period three new pages were added: consumer information; frequently asked questions and answers for industry; and higher ratings pages, outlining both the process and showcasing successful applicants. <i>The Audit Handbook for Quality Assessors</i> and a companion manual <i>Results and Processes</i> were also published on the website.</p> <p>In the reporting period, 13 homes have received a higher rating award and were presented with a framed certificate at individual events organised by the homes. Senior representatives of the Agency presented the certificates.</p> <p>Promotion for the series of national education sessions, <i>Turn data into action!</i> is complete, with sessions occurring between July – September 2003.</p>
Reports	<p>Provide reports to the Commonwealth as specified</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 sent in November 2002.</p> <p>Accreditation and review audit reports published on the website are regularly audited (six-monthly and ad-hoc).</p>

Table 2: Agency performance 2002-03 (continued)

INDICATOR	TARGET 2002 – 03	RESULT FOR THE PERIOD 1 JULY 2002 – 30 JUNE 2003
		<p>The Agency has booked advertising space in every state edition of the 2003 DPS Aged Care Guides. These ads explain the role of the Agency and issues consumers might consider in choosing a home.</p> <p>In the reporting period the Agency has contributed to a number of industry and consumer publications, with over six articles, and an interview with the CEO published.</p>
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	<p>Data is provided regularly as per protocol and on request.</p> <p>At the conclusion of the second round of accreditation, consolidated results on performance will be produced and analysed and a report provided to the Department.</p>
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 the 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 2003.

## 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 Shane P Fracchia  
(appointed 14 November 2002)

Mr Terence T Healey, OAM  
(deceased 1 June 2003)

Dr Joseph E Ibrahim  
(appointed 14 November 2002)

Mrs Betty D Johnson, AO  
Professor Priscilla S  
Kincaid-Smith, AC

Mr John H A Lang, OAM  
Professor Rhonda Nay

Mr John H Pascoe, AO  
(resigned 19 August 2002)

Mr Peter Toohey

Mr Henry N Williams

## Information on Directors

### 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 Vice Chairman of Interlaw, an international legal association. He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia.

He is a partner, and former managing partner of 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 SHANE FRACCHIA

Appointed 14 November 2002

Current appointment until 14 November 2005

Member, Audit and Finance Committee

Mr Fracchia is a CPA with qualifications in engineering, commerce and accounting. He is an active member of CPA Australia and the Australian Institute of Company Directors.

He is Chief Executive Officer of Holy Spirit Home, Aspley, Queensland, and has worked in the aged care industry for the past seven years.

He lives in Brisbane.

**DR JOSEPH E IBRAHIM**

Appointed 14 November 2002

Current appointment until

14 November 2005

Member, Education and Training

Committee

Dr Ibrahim is a consultant physician in aged care at the Williamstown Hospital, Western Health, Victoria. He is an inaugural member of the Clinical Liaison Service at the State Coroner's Office and the Victorian Institute of Forensic Medicine. Prior to this, Dr Ibrahim established the Health Services Research Unit at the Department of Epidemiology and Preventive Medicine, Monash University, after completing his Doctorate of Philosophy investigating the relationship between quality of care and performance indicators. Dr Ibrahim is the current regional editor for the *International Journal for Quality in Health Care*, and a chief investigator on projects investigating quality of clinical care, patient safety and performance indicators.

He lives in Melbourne.

**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 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 Lang is a retired Company Director with qualifications in 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 Vasey Housing Association NSW (providers of independent living for war widows and other defence-related women).

Mr Lang is 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. In July 2002, he was appointed as a Director on the Board of the Indigenous Communities Volunteer Foundation. He lives in Sydney.

**PROFESSOR RHONDA NAY**

Appointed 24 June 2002  
Current appointment until 18 June 2005  
Member, Education and Training Committee

Professor Nay is Professor of Gerontic Nursing at La Trobe University, and Director of the Gerontic Nursing Clinical School and the Australian Centre for Evidence Based Aged Care. She has extensive experience working with older people. She chaired the Minister’s Awards for Excellence in Aged Care in 2000, 2001 and 2003, and was a judge for the ACSA excellence in training in aged care awards for 2002. Professor Nay served as a member of the Australian Health Care Agreements Continuum of Care Reference Group and is a member of the National Advisory Committee on Ageing. She is President of the Australian Association of Gerontology (Victoria). Professor Nay has undertaken research and published in numerous areas related to the care of older people. She lives in Melbourne.

**MR JOHN PASCOE**

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

In the period of his appointment as a Director, Mr Pascoe was Managing Director of the Insurance and Financial Services Group for Phillips Fox Lawyers and Chairman of George Weston Foods Limited.

**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, and is currently a Queensland Government appointee as a member of the Retirement Village Tribunal.

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 finance and governance consultant to the health and aged care sector. He is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors. He has over 20 years experience and expertise in the areas of strategic planning and business advising, including corporate governance, taxation, audit and information technology. He lives in Brisbane.

#### MR TERENCE HEALEY, OAM (deceased)

Mr Healey passed away on 1 June 2003.

He was first appointed to the Board on 22 September 1997, and was

reappointed until 17 September 2004.

He was a member of the Audit and Finance Committee. He had extensive experience in aged care, and until his retirement in 2000, he was the Chief Executive Officer of Eldercare Inc, an independently incorporated community service of the Uniting Church in Australia that operates nursing homes, hostels and independent living units in South Australia.

## 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 entity's principal activities during the financial year.

## Operating Results

The operating profit amounted to \$4,947,797. Dividends are not applicable for this entity as no beneficial interest exists.

## Accreditation Overview

Commonwealth-funded aged care homes must meet an accreditation requirement in order to receive residential care subsidies from the Department of Health and Ageing. 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 gives a draft report 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 submissions 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**

The accreditation of most aged care homes fell due for renewal during 2002-03. Consequently, the Agency's major focus during the year was desk audits and site audits of homes that had applied for renewed accreditation. During the year, 1965 site audits were undertaken.

In the reporting period, 1657 decisions about applications for a further period of accreditation were made. Of these decisions, 1527 were to grant three-years; 125 for less than three-years; two

decisions not to accredit; and three homes were granted accreditation for four years, recognising their consistent and exceptional performance against the Accreditation Standards. These homes accredited for four years had applied for and had been granted a commendable award under the Agency's higher

rating awards scheme. Fifty-two homes were accredited for one year as commencing (new) homes.

Table 3 shows the accreditation status of homes as at 30 June 2003.

*Table 3: Accreditation status as at 30 June 2003\**

STATUS	NUMBER OF HOMES
< 1 year	1
1 year - commencing homes	57
1 year - existing homes	13
> 1 year and < 2 years	7
2 years	61
> 2 years and < 3 years	48
3 years	2756
4 years	1
<b>Total accredited homes</b>	<b>2944</b>

\* Please note that the 'accreditation status' table shows the decision in effect at 30 June 2003. The figures in this table will not necessarily agree with the accreditation decisions made in 2002-03, because those decisions may not yet have taken effect, or may have been superseded. For example, in the case of the three homes that received a decision to accredit for four years, only one home's decision was in effect as at 30 June 2003; of the two decisions not to accredit, one home closed and one was accredited after a further application for accreditation.

## Higher Ratings

As part of the Agency's commitment to continuous improvement in aged care homes, the higher rating awards were developed to recognise homes whose performance consistently provides superior outcomes for residents.

The awards are in addition to the accreditation process. There are five criteria to be met for a merit award: responsiveness to residents; leadership; data and measurement; continuous improvement; and innovation. The commendable award has a sixth criteria,

benchmarking. A national review panel assesses each submission.

The *commendable* award recognises exemplary resident focus; exceptional care and continuous improvement with measurable results beyond those necessary to achieve merit. They have mature planning systems that actively involve all stakeholder groups and drive improvement and excellence; innovation in a number of areas that can be acknowledged as better practice; and have benchmarking activities.

The *merit* award recognises strong resident focus and superior care; sound quality and planning systems; continuous improvement with measurable results and innovation in at least one Accreditation Standard that can be showcased as better practice.

In the past year, 126 homes have applied for a higher rating award, bringing the total number of applications since the awards commenced to 139. Thirteen homes have been presented with an award in the reporting period. Ten homes were recognised with a merit award and three homes were recognised with a commendable award. As at 30 June 2003, there were 33 homes with submissions pending.

## **Reconsideration and Review**

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.

During the reporting period, reconsideration was sought on fewer than two per cent of decisions about accreditation and review audits. One matter was active before the

Administrative Appeals Tribunal during the period, one matter was settled by consent orders and one matter was dismissed.

## **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.

All accredited aged care homes are monitored for compliance with the Accreditation Standards and the continuous improvement obligation. Supervision occurs through support contacts and review audits. The Agency also arranges both random and targeted spot checks.

Information that the Agency receives about the performance of aged care homes is monitored and assessed to assist in deciding on appropriate action.

## **Spot Checks**

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

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

The Australian community has high expectations of aged care homes, and conducting spot checks is part of a program that helps to assure the community that homes provide high quality care at any time of day, any day of the week.

In the reporting period, 242 spot checks were conducted.

## 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 education.

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 involve 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 2002-03, 1519 support contacts were carried out, of which 1310 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 of the Department of Health and Ageing, the Agency must arrange a review audit.

During 2002-03, 68 review audits were conducted, and 66 decisions were made following review audits. Of these decisions, 24 were to vary the period of accreditation, 41 were to not revoke accreditation and one was to revoke accreditation.

## Education, Training and Information

- In late 2002, the Agency established the Education division to further develop the provision of education to industry. The division's main activities have been building the platform to provide a range of education activities to take place in 2003-04, including plans for national seminars, better practice events and education in conjunction with support contact visits.
- During 2002-03, the state offices provided a variety of training and education for assessors. On average, one day a month was dedicated to assisting assessors to develop their expertise and improve the quality of the accreditation process. The types of training and education provided depended on the local needs and covered topics such as higher ratings; audit practices such as sampling, collecting and corroboration of evidence; and skills-based training such as report writing, presentation skills and interviewing techniques.
- All prospective quality assessors undertake a training course in aged care quality assessing with an approved training provider. This is followed by an orientation program conducted by the Quality Society of Australasia (QSA) and the Agency. Review of the competency standards has been finalised and the course curriculum review is nearing completion.
- Executives from the Agency have presented to sector conferences in most states.
- Since June 2002 a total of 14 sessions on audit methodology for quality assessors were held, including the delivery of the Agency's *Audit Handbook for Quality Assessors*.
- A series of face-to-face information sessions about accreditation round two were delivered by the Agency to industry. In the 2002 calendar year, 88 sessions were held at locations across the country.
- Homes that achieve a higher rating award have their achievements published on the Agency's website, with links to their accreditation report and the home's website and email address if available. The Agency encourages homes that receive an award to hold an event to promote their achievements. An information sheet about organising an event and securing local media coverage is sent with advice of the award. Senior representatives of the Agency are available to present the home with their framed certificate.

- A major source of information for industry, the community, residents and their families is the Agency's website at [www.accreditation.aust.com](http://www.accreditation.aust.com). Over the period the average number of page views was 24,000 a month, showing a peak in May 2003. The most accessed page is the reports page. All accreditation and review audit reports are published on the website.
- The Agency has secured a grant from the Department of Health and Ageing to develop a consumer education program to be delivered by the Agency in the period 2003-04.
- The Agency contributes articles to both consumer and industry publications. *InSite*, is a national journal for the aged care and community care sectors. In the reporting period articles from the Agency covered issues such as promoting aged care, better practices, and continuous improvement. *CARE*, a new magazine published quarterly, is for the elderly living in aged care homes, and is distributed through aged care organisations. Articles published covered topics such as why residents should be involved in aged care accreditation and an article outlining standards one and two of the Accreditation Standards. So far in 2003, the *National Health Care Journal* has published an interview with the CEO of the Agency and an article on resident focus in the second round.
- The Agency's quarterly newsletter, *The Standard*, is distributed nationally to industry and other stakeholders. The autumn edition of *The Standard*

focused on standard one of the Accreditation Standards; management systems, staffing and organisational development; and the winter edition focused on standard two; health and personal care. The Agency showcases homes that receive a higher rating award. Regular features have included further reading and additional resources, and round two updates. A readership survey was issued with the autumn edition and the majority of comments were positive and constructive. A summary of the results was published in the winter edition. The winter edition included promotion of the education seminars, *Turn data into action!* being conducted nationally between July and September 2003.

## Consultation

The Agency participates in a number of consultative forums and provides input to various aged care related projects. In the period, significant time was given by representatives of the Agency to forums such as the Residential Care Subsidy Industry Liaison Group, and the Safety and Quality Council's Working Party on Standards Setting in Accreditation Systems in Health.

The Agency is committed to consultation with the aged care sector in respect of its activities. The National Agency Liaison Group (NALG) is the principal mechanism for formal consultation and Agency Liaison Groups (ALG) for each state and territory complement it.

The Agency's Chief Executive Officer chairs the NALG, and two Directors, Mrs Betty Johnson and Professor Priscilla Kincaid-Smith, are members. State Managers chair each of the ALGs. The Groups meet regularly to discuss industry trends, provide feedback on Agency activities and ideas for improvement, and be informed about Agency initiatives. Members of the liaison groups share this information with their colleagues or organisation membership. Membership of the NALG is listed at Appendix 2.

## **Significant Changes in State of Affairs**

The Agency's increased focus on education has seen additional staff appointed to develop and deliver education products and services. A charging policy that is consistent with the requirements of the *Accreditation Grant Principles 1999* has been adopted. The Agency will charge a fee for some education services and others will continue to be provided free of charge.

A comprehensive performance audit by the Australian National Audit Office in the previous reporting period was completed in this reporting period, and found that the Agency had identified its legislative responsibilities and had implemented adequate processes to meet them. The Agency agreed with all six recommendations made by the ANAO and has made substantial progress on each of them.

The Agency's financial management systems have been redeveloped and the

chart of accounts and financial reporting system has been restructured to support reporting by cost centre and function. The new cost attribution structure commenced on 1 July 2003.

## **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 Agency, the results of those operations, or the state of affairs of the Agency in subsequent financial years.

## **Areas of Risk and Likely Development**

The Agency has a funding agreement with the Department of Health and Ageing, pursuant to which it carries out its functions as the 'accreditation body' 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 in these Principles.

The current funding agreement terminates in November 2004. The Agency is currently negotiating a new contract with the Department of Health and Ageing.

The Agency is required to comply with certain directions in relation to the general policies of government, in accordance with the *Commonwealth Authorities and Companies Act 1997* and

any amendments to legislation could have a direct impact on the Agency's operations.

- provide a forum for communication between Directors, senior management and the internal and external auditors of the company.

## Audit and Finance Committee

The Committee's responsibilities are to:

- help the company and the Directors comply with their obligations under the *Commonwealth Authorities and Companies Act 1997* and the *Corporations Act 2001*

## Meetings of Directors

During the financial year meetings of Directors, including attendance at Board committees, were as detailed in Table 4.

*Table 4: Meetings of Directors*

	BOARD	AUDIT & FINANCE COMMITTEE	REMUNERATION COMMITTEE	EDUCATION & TRAINING COMMITTEE
J Harrowell	10	NA	2	NA
S Fracchia (from November 2002)	5	1	NA	NA
J Ibrahim (from November 2002)	4	NA	NA	1
T Healey (deceased June 2003)	8	8	NA	NA
B Johnson	10	NA	NA	7
P Kincaid-Smith	10	NA	NA	7
J Lang	9	9	2	NA
R Nay	9	NA	NA	5
J Pascoe (until August 2002)	0	NA	NA	NA
P Toohey	10	NA	2	7
H Williams	9	9	NA	NA
<b>Total number of meetings held</b>	<b>10</b>	<b>9</b>	<b>2</b>	<b>7</b>

\*NA means that the Director is not a member of that Committee.

## Directors' and Officers' Indemnification

The Agency 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.

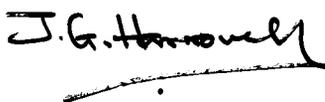
During or since the financial year the company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium paid was \$30,000 for all Directors and officers.

## 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 amounts 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 16 September 2003

## Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2003	Note	2003 (\$)	2002 (\$)
Revenue from ordinary activities	2	27,256,761	13,155,979
Labour expenses		(16,886,479)	(11,888,004)
Depreciation and amortisation		(662,483)	(965,270)
Other expenses from ordinary activities	2	(4,760,002)	(4,349,785)
<b>Net profit (loss)</b>		<b>4,947,797</b>	<b>(4,047,080)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>4,947,797</b>	<b>(4,047,080)</b>

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

## Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2003	NOTE	2003 (\$)	2002 (\$)
<b>CURRENT ASSETS</b>			
Cash assets	6	13,375,649	3,424,376
Receivables		1,633,347	338,820
Other	7	16,540	114,875
<b>Total current assets</b>		<b>15,025,536</b>	<b>3,878,071</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,185,502	1,457,153
<b>Total non-current assets</b>		<b>1,185,502</b>	<b>1,457,153</b>
<b>Total assets</b>		<b>16,211,038</b>	<b>5,335,224</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	565,803	757,304
Provisions	10	780,429	717,068
Other	11	7,026,385	1,161,823
<b>Total current liabilities</b>		<b>8,372,617</b>	<b>2,636,195</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12	310,595	119,000
<b>Total non-current liabilities</b>		<b>310,595</b>	<b>119,000</b>
<b>Total liabilities</b>		<b>8,683,212</b>	<b>2,755,195</b>
<b>Net assets</b>		<b>7,527,826</b>	<b>2,580,029</b>
<b>EQUITY</b>			
Retained profits	13	7,527,826	2,580,029
<b>Total Equity</b>		<b>7,527,826</b>	<b>2,580,029</b>

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

## Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2003	NOTE	2003 (\$)	2002 (\$)
<b>Cash flows from operating activities</b>			
Receipts from customers and government grants		30,507,471	13,298,918
Payments to suppliers and employees		(20,761,504)	(16,820,967)
Interest received		338,818	232,974
GST received		267,820	425,203
Net cash inflow from operating activities	5	<u>10,352,605</u>	<u>(2,863,872)</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(401,332)	(344,720)
Proceeds on disposal of fixed assets		-	-
Net investing cash flows		<u>(401,332)</u>	<u>(344,720)</u>
Net increase/(decrease) in cash held		9,951,273	(3,208,592)
Cash at beginning of financial year		3,424,376	6,632,968
Cash at end of financial year	6	<u>13,375,649</u>	<u>3,424,376</u>

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2003

### NOTE 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 in the following manner; 25 per cent of the fee is recognised on receipt of application and the 75 per cent balance is recognised on completion of the site audit.

Australian Government funding and interest income is brought to account in the month it is earned.

### Income tax

The Agency 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 would 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:

Lease hold improvements	the term of the lease
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 Agency 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 Agency 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. The Agency has no finance leases.

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 benefits

Provision is made for the Agency'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 and annual 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.

In the financial year ending 30 June 2003, the Agency changed its accounting policy relating to long service leave obligations. Provision is now made for employees who have reached two years service. In the prior year, the provision was made for employees who had reached four years service.

Contributions made by the Agency 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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of the Financial Position are shown inclusive of GST.

## Comparative figures

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

### NOTE 2. OPERATING PROFIT

Operating profit/(loss) has been determined after:  
Crediting as income

#### Revenue from operating activities

	2003 (\$)	2002 (\$)
Government grants received	11,455,999	11,283,000
Accreditation revenue	15,421,304	1,675,647
Spot check revenue	-	6,400
Interest	368,180	190,198
Training and other revenue	11,278	734
Revenue from ordinary activities	<u>27,256,761</u>	<u>13,155,979</u>

#### Charging as expenses

Depreciation of non-current assets:

Property, plant and equipment	<u>662,484</u>	<u>965,270</u>
Employee entitlements	<u>306,598</u>	<u>1,009,111</u>

#### Other expenses

Travel	1,607,591	1,159,718
Telephones and communications	318,890	248,661
Printing and stationery	204,279	214,909
Legal	114,929	292,626
Other	1,426,755	1,340,498
Rental expense on operating leases	1,087,558	1,093,373
Total other expenses from ordinary activities	<u>4,760,002</u>	<u>4,349,785</u>

Write down of assets	87,080	-
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**NOTE 3. REMUNERATION OF DIRECTORS**

	2003 (\$)	2002(\$)
Directors' remuneration		
Income paid or payable to all Directors	208,353	170,105
\$0 - \$ 9,999	1	2
\$10,000 - \$29,999	9	7
\$30,000 - \$39,999	1	1

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

Mr James G F Harrowell, Chairman  
 Mr Shane P Fracchia (appointed 14 November 2002)  
 Mr Terence T Healey, OAM (deceased 1 June 2003)  
 Dr Joseph E Ibrahim (appointed 14 November 2002)  
 Mrs Betty D Johnson, AO  
 Professor Priscilla S Kincaid-Smith, AC  
 Mr John H A Lang, OAM  
 Professor Rhonda Nay  
 Mr John H Pascoe, AO (resigned 19 August 2002)  
 Mr Peter Toohey  
 Mr Henry N Williams

**NOTE 4. REMUNERATION OF AUDITORS**

Audit of financial report	31,000	30,000
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## NOTE 5. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT

### 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.

	2003 (\$)	2002 (\$)
Operating profit/(loss)	4,947,797	(4,047,080)
Non-cash flows in operating profit/(loss)		
Depreciation	662,483	965,270
Loss/(gain) on sale of fixed asset	10,499	-
Changes in assets and liabilities		
(Increase)/Decrease in receivables	(1,294,527)	(19,966)
(Increase)/Decrease in prepayments	98,335	(47,109)
Increase/(Decrease) in payables	(304,801)	(13,979)
Increase/(Decrease) in other liabilities	5,928,609	138,065
Increase/(Decrease) in provisions (current)	112,615	41,927
Increase/(Decrease) in provisions (non-current)	191,595	119,000
Cash flows from operations	<u>10,352,605</u>	<u>(2,863,872)</u>

### NOTE 6. CASH

Cash at bank and on hand	<u>13,375,649</u>	<u>3,424,376</u>
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### NOTE 7. CURRENT ASSETS – OTHER

Prepayments	<u>16,540</u>	<u>114,875</u>
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**NOTE 8. PROPERTY, PLANT AND EQUIPMENT**

	2003 (\$)	2002 (\$)
Furniture and fittings		
Cost		
Opening	1,589,406	1,473,901
Additions	109,773	115,505
Disposals	(417,266)	-
Closing	1,281,913	1,589,406
Accumulated depreciation		
Opening	(975,859)	(556,264)
Depreciation expense	(128,073)	(419,595)
Write back on disposals	389,901	-
Closing	(714,031)	(975,859)
Net, furniture and fittings	567,882	613,547
Computers		
Cost		
Opening	2,722,896	2,500,444
Additions	344,416	222,452
Disposals	(361,982)	-
Closing	2,705,330	2,722,896
Accumulated depreciation		
Opening	(1,947,835)	(1,422,371)
Depreciation expense	(437,102)	(525,464)
Write back on disposals	231,946	-
Closing	(2,152,991)	(1,947,835)
Net, computers	552,339	775,061
Office equipment		
Cost		
Opening	177,885	171,122
Additions	23,724	6,763
Disposals	(14,033)	-
Closing	187,576	177,885
Accumulated depreciation		
Opening	(109,340)	(89,129)
Depreciation expense	(97,309)	(20,211)
Write back on disposals	84,354	-
Closing	(122,295)	(109,340)
Net, office equipment	65,281	68,545
Total property, plant and equipment	1,185,502	1,457,153

## NOTE 9. CURRENT LIABILITIES – PAYABLES

	2003 (\$)	2002 (\$)
FBT	37,697	-
Other	84,604	9,000
Trade creditors	443,502	748,304
	<u>565,803</u>	<u>757,304</u>

## NOTE 10. CURRENT LIABILITIES – PROVISIONS

Leave	762,072	647,068
Employee bonuses	-	70,000
Salaries	18,357	-
	<u>780,429</u>	<u>717,068</u>

## NOTE 11. CURRENT LIABILITIES – OTHER

Unearned income	6,160,154	1,009,246
Accrued expenses	866,231	152,577
Total other current liabilities	<u>7,026,385</u>	<u>1,161,823</u>

## NOTE 12. NON CURRENT LIABILITIES – PROVISIONS

Employee benefits		
Long service leave	310,595	119,000
Aggregate employee entitlement liability (refer to notes 10 and 12)	1,072,666	836,068
The number of full-time equivalent staff employed as at 30 June	176	147

## NOTE 13. RETAINED PROFITS

Retained profits at the beginning of the financial year	2,580,029	6,627,109
Net profit/(loss)	4,947,797	(4,047,080)
Retained profits at the end of the financial year	<u>7,527,826</u>	<u>2,580,029</u>

**NOTE 14. ISSUED CAPITAL**

Aged Care Standards and Accreditation Agency Limited is a public company limited by guarantee.

The Member undertakes to contribute to the assets of the company (up to an amount not exceeding A\$5) in the event of the company being wound up while it is a member of the company, or within one year after ceasing to be a member, for payment of the debts and liabilities of the company including the costs, charges and expenses of the winding up.

**NOTE 15. EXPENDITURE COMMITMENTS**

	2003 (\$)	2002 (\$)
<b>(a) Operating leases</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts		
Payable:		
Within one year	1,133,715	1,057,328
Later than one year but not later than five years	1,457,313	1,411,266
	<u>2,591,028</u>	<u>2,468,594</u>
<b>(b) Capital commitments</b>		
Commitments contracted for		
Plant and equipment purchases		
Payable within one year	-	283,265
	<u>-</u>	<u>283,265</u>

## **NOTE 16. CONTINGENT LIABILITIES**

Aged Care Standards and Accreditation Agency Limited has no contingent liabilities as at 30 June 2003.

## **NOTE 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 30 June 2003 was 4.38 per cent (30 June 2002, 4.61 per cent).

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

2003	Floating interest rate	Non-interest bearing	Total	Average interest floating %
<b>Financial assets</b>				
Cash	13,375,649	-	13,375,649	4.38
Receivables	-	1,633,347	1,633,347	-
	<u>13,375,649</u>	<u>1,633,347</u>	<u>15,008,996</u>	
<b>Total assets</b>			<b>16,211,038</b>	
<b>Financial liabilities</b>				
Payables	-	550,845	550,845	-
Other	-	758,889	758,889	-
Provisions	-	140,659	140,659	-
	<u>-</u>	<u>1,450,393</u>	<u>1,450,393</u>	
<b>Total liabilities</b>	<b>-</b>		<b>8,683,212</b>	
2002	Floating interest rate	Non-interest bearing	Total	Average interest floating %
<b>Financial assets</b>				
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>	
<b>Total assets</b>			<b>5,335,224</b>	
<b>Financial liabilities</b>				
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>	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,755,195</b>	



## Independent Audit Report



### INDEPENDENT AUDIT REPORT

To the members of Aged Care Standards and Accreditation Agency Limited

#### Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of the Aged Care Standards and Accreditation Agency Limited for the year ended 30 June 2003 included on the Aged Care Standards and Accreditation Agency Limited's web site. The Company's directors are responsible for the integrity of the Aged Care Standards and Accreditation Agency Limited's web site.

The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial report.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

#### Scope

I have audited the financial report of the Aged Care Standards and Accreditation Agency Limited for the financial year ended 30 June 2003. The financial report comprises:

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

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 the 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

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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 and other mandatory professional reporting requirements in Australia and statutory requirements 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.

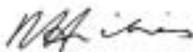
The audit opinion expressed in this report has been formed on the above basis.

**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 2003 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Australian National Audit Office



P Hinchey  
Senior Director

For the Auditor-General

Sydney  
23 September 2003

# management and accountability

## **Management Approach**

The Agency is committed to the continuous improvement of its own processes and uses the feedback provided by its stakeholders to guide improvements. The Agency has established systems to invite feedback on its activities. All accredited aged care homes are invited to comment on the accreditation process and make suggestions for improvement.

The legislative framework establishes the Agency's operating environment. The Department of Health and Ageing Portfolio Budget Statements in relation to aged care inform the Agency's strategic and corporate goals. Within this framework, the Agency is an independent decision-maker. Decision-making is delegated by the Chief Executive Officer to various employees of the Agency.

## Workforce Planning

Staff of the Agency are employed as permanent, fixed-term or casual employees. The number of clerical and quality assessor staff vary to meet changing resource requirements during the peak accreditation periods. Staff employed for more than 12 months participate in an annual performance review process.

In addition, the Agency uses an external contracted workforce of registered quality assessors. This year in response to external assessor requests, casual employment was offered to external quality assessors as an employment option.

## Human Resource Management

The Agency appointed a full-time Human Resource Manager in January 2003 to further develop the human resource function across the Agency.

Initiatives achieved to 30 June 2003 include:

- Refinement and standardisation of employment contracts and employee paperwork
- Payroll audit
- Centralisation of recruitment processes and employee records
- Enhancement of payroll procedures.

Table 5 identifies the number of staff employed by the Agency as at 30 June 2003.

*Table 5: Agency staff as at 30 June 2003*

	National	NSW	VIC	TAS	QLD	SA	WA	Total
Total	23	43	50	3	29	14	14	176

## Assessor Workforce

During 2002-03 the Agency used contracted quality assessors extensively in order to complete all the site audits required to assess applications for renewal of accreditation.

The external assessor workforce was kept informed and up-to-date through seminars and workshops offered by Agency state offices. All employed and contract assessors were required to successfully complete an audit methodology training seminar prior to carrying out site audits for the second round of accreditation.

The *Audit Handbook* was provided to all registered quality assessors who attended audit methodology training seminars.

There were 443 registered quality assessors at 30 June 2003.

## Feedback Mechanisms

There are a number of formal feedback mechanisms in place to help the Agency monitor client satisfaction with products and services.

A survey was included in the autumn issue of the Agency's newsletter, *The Standard*, to identify areas of interest to readers. The newsletter is sent to all aged care homes and to representatives of the aged care sector. More than 80 per cent of respondents said that they would prefer to continue to receive *The Standard* in hard copy.

The majority of respondents were directors of nursing, care managers, approved providers and chief executives, and most indicated that the newsletter is circulated throughout the home.

There was a strong response to the invitation to nominate expected outcomes as topic areas for future issues. The thematic plan for the newsletter focuses on one Accreditation Standard per issue, and the suggestions are considered in the context of the relevant issue. Many respondents stated that they enjoyed case studies but wanted to see more examples of homes that had overcome challenging circumstances.

Feedback from aged care homes about accreditation continues to be very positive. At the conclusion of the second round (late 2003/early 2004) the Agency will review the accreditation process.

At the conclusion of every site audit, homes are given a questionnaire about the audit process and their experiences. There is a clear message of support for accreditation, with 95 per cent of respondents consistently reporting that the site audit was a satisfying and useful experience.

Average monthly satisfaction ratings for the period 1 July 2002 to 30 June 2003 are shown below.

	average monthly satisfaction rate
Contact with the Agency, prior to the site audit, was adequate in preparing us for the visit	93%
During the entry meeting, the assessment team adequately explained the assessment process	98%
The team provided feedback on the self-assessment (application) and findings of the desk audit	92%
The assessment team was professional and courteous throughout the site audit	99%
Throughout the site audit, the assessment team gave us adequate opportunity to provide evidence of our processes and practices	99%
During the site audit, the quality assessors provided positive feedback that recognised our achievements	94%
During the site audit, the quality assessors provided feedback on areas for improvement	94%
At the exit meeting, quality assessors clearly presented the findings of the assessment (Statement of Major Findings)	97%
At the exit meeting, there was adequate opportunity for us to provide comments on, and clarification of the team's findings	93%
The Statement of Major Findings was useful in providing a summary of the team's findings	92%
Overall, the site audit was a satisfying and useful experience	95%

## Complaints

From July 2002 to January 2003, complaints about the conduct of registered assessors were made to the Registrar, QSA. Complaints were acknowledged and investigated by QSA and the Agency.

Since February 2003 all complaints have been reviewed by the Chief Executive Officer and followed through by the relevant General Manager. Complaints are collated and analysed to inform improvements.

If appropriate, the outcome of an investigation concerning a registered quality assessor would be forwarded to the Auditor Certification Panel and Certification Review Board for consideration. Substantial evidence of unacceptable performance or misconduct may result in withdrawal of registration.

During 2002-03, 11 written complaints about assessor conduct were received and actioned.

## Occupational Health and Safety

In recognition of the legal responsibility to safeguard the health of employees while they work, the Agency provides and maintains a safe and healthy working environment for its staff.

OH&S committees continue to operate in larger office locations (in accordance with state legislation).

First aid officers have been trained and are in place in larger offices in accordance with state legislation.

The Agency has offered an employee assistance program since its inception.

In 2002-03 time lost due to injury amounted to 102.4 hours.

## Commonwealth Fraud Control Guidelines

The Agency is not required to adopt the guidelines, as current Commonwealth funding does not exceed 50 per cent of total income. As a matter of good practice, the Agency will adopt the guidelines from July 2004.

## 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 2003-04

The second round of accreditation will conclude at the end of the 2003 calendar year. An important area of activity for 2003-04 will be the collation and analysis of the industry performance results for the second round. In addition, there will be a review of the Agency's processes to identify areas for improvement, both in terms of internal business process efficiencies and in respect of outcomes for aged care homes and their residents. The results of the review will inform the Agency's approach to the third major round of accreditation, due to commence in the first half of 2005.

The conclusion of the second round of accreditation audits will see more support contacts to monitor homes' compliance with the Accreditation Standards. In addition, a program of education sessions will be offered in conjunction with support contacts.

A consumer education strategy and better practice events for industry are planned for delivery during 2004.

The implementation of common state office structures will be complete by the end of 2003. The Agency is seeking accreditation of its business process by July 2004.

## Appendices

### I. AGED CARE STANDARDS AND ACCREDITATION AGENCY LTD

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### III. QUALITY SOCIETY OF AUSTRALASIA

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## 2. NATIONAL AGENCY LIAISON GROUP MEMBERS

Helen Kurincic	Executive Director	Anglican Aged Care Services Group
Dallas Mulhall	Legacy Representative	National Ex-Service Round Table on Aged Care (NERTAC)
Sheila Rimmer		Council on the Ageing (Australia)
Jill Iliffe	Federal Secretary	Australian Nursing Federation
June Heinrich	Chief Executive Officer	Baptist Community Services
Glenn Rees	National Executive Director	Alzheimer's Australia
Richard Gray	Director, Aged Care Services	Catholic Health Australia
Rod Young	Chief Executive	ANHECA
Greg Mundy	Chief Executive Officer	Aged and Community Services Australia
Irene Gibbons	Chief Executive Officer	Carers Australia
Michael Willis	Manager	Anglican Care of the Aged
Norah McGuire	President	Combined Pensioners & Superannuants NSW



