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Roger Hunt
Financial and Prudential Analysis
Department of Health
GPO Box 9848
Canberra ACT 2601

By email:- FFBConsultation@health.gov.au

Dear Roger

Discussion Paper – Managing Prudential Risk in Residential Aged Care

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest. We have restricted our comments below to the proposed option **AA3 – Support the migration of all providers to Tier 1 financial reporting**.

CPA Australia notes that the current requirements stipulate that all aged care approved providers should prepare General Purpose Financial Statements (GPFS), which could result in either Tier 1 GPFS or Tier 2 GPFS. Based on the Department's concerns that:

- the Reduced Disclosure Requirements (RDR) applying to Tier 2 could result in a lack of transparency of financial practices and transactions of providers;
- the lack of visibility of provider financial activities increases the risks posed to the Guarantee Scheme; and
- if the risks of provider defaults are not appropriately managed, all providers will share in the costs of the default;

CPA Australia supports the proposal to migrate all providers to Tier 1 financial reporting. In our view, this will ensure consistency and comparability in financial reporting for entities that operate within the residential aged care sector.

The Discussion Paper states that almost all aged care approved providers do not meet the definition of "publicly accountable" under AASB 1053 *Application of Tiers of Australian Accounting Standards*. In furthering its proposed option AA3, we suggest the Department of Health gives consideration to the Australian Accounting Standards Board's (AASB) [Reporting Entity Concept project](#). As part of this project, the AASB is proposing to revise Tier 2 financial reporting requirements and revise the definition of "public accountability". Since Tier 1 reporting is applicable to all entities that meet the definition of "public accountability" the Department of Health may wish to consider engaging with the AASB to ascertain whether aged care approved providers will meet any future revised definition of "public accountability".

If you require further information on the views expressed in this submission, please contact Ram Subramanian, Policy Adviser – Reporting, on +61 3 9606 9755 or at ram.subramanian@cpaaustralia.com.au.

Your sincerely



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