

**25 September 2018**

The Honourable Ken Wyatt AM, MP  
Minister for Senior Australians and Aged Care  
Parliament House  
Canberra  
ACT 2600

Email: [agedcareconsultation@health.gov.au](mailto:agedcareconsultation@health.gov.au)

Dear Mr Wyatt

## **Royal Commission into aged care quality and safety: terms of reference**

Governance Institute of Australia (Governance Institute) is the only independent professional association with a sole focus on whole-of-organisation governance. Our education, support and networking opportunities for directors, company secretaries, governance professionals and risk managers are unrivalled.

Our members have primary responsibility for developing and implementing governance and risk frameworks in public listed, unlisted and private companies. Our active membership base of more than 7,000 chartered secretaries, governance advisers and risk managers ensures that Governance Institute is at the cutting edge of knowledge of issues and support of sound practice in the continuous evolution of governance and risk management.

Governance Institute welcomes the opportunity to provide feedback to enable the Government to develop the detailed terms of reference for the Royal Commission.

Nearly every Australian will come into contact with the aged care sector at some stage in their lives. The sector plays a vital role in our social fabric by caring for some of Australia's most vulnerable people

The recent Royal Commission hearings into misconduct in the financial services sector demonstrate clearly that it is critical to deal appropriately with vulnerable consumers, particularly consumers who lack the capacity to advocate on their own behalf.

While more than one million people currently receive aged care services in Australia, by 2050 it is expected that more than three and a half million Australians will be receiving aged care, particularly dementia care services, as the Australian population ages and advances in medical technology increase Australians' life expectancy.

Boards of aged care providers are subject to increasing scrutiny and pressures as the forces of demographics press up against the issues of affordability and sustainability in the sector. The aged care sector is in the process of a number of structural changes as it moves into a consumer-directed, market-based model of operation to improve financial sustainability and the new aged care quality framework.

The boards of aged care providers need to ensure they are capable of making informed and effective decisions and have governance frameworks in place to enable this. They also need to

have risk management frameworks in place to address risks inherent in aged care organisations including strategic risk, reputation risk, financial risk, competition risk, operational risk, regulatory risk and the risks arising from conflicts of interest.

One of the matters identified by the Royal Commission into financial services as going to the heart of misconduct and failures to meet community standards is the culture and governance of the relevant financial organisations. These failures reflect instances of failure of leadership, governance and accountability.

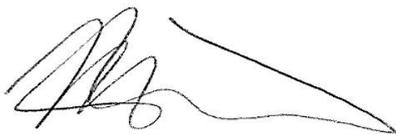
**Governance Institute recommends** therefore that the terms of reference for the Royal Commission include a review of the current state and adequacy of the governance and risk management frameworks within organisations in the aged care sector.

In 2017 Governance Institute recognised that it could add value to governance in the aged care sector by developing guidance for the boards of organisations that provide aged care services addressing the challenges and opportunities facing the sector. This was developed using our members' deep expertise in governance and risk management in the aged care sector. The guidance was launched by you at our luncheon event in February 2017.

We consider that reading the guidance should be mandatory for all new and existing board members of aged care providers in order to comply with their obligations and understand how they can best deal with the issues challenging their organisations. We also consider that the issues discussed in the guidance would be useful in developing the terms of reference. We commend the guidance to the Government. A link to the guidance is located here: <https://www.governanceinstitute.com.au/agedcare/>

Governance Institute welcomes further contact during the consultation process.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Meegan George', with a long horizontal flourish extending to the right.

Meegan George  
Acting Chief Executive