



Finance, Audit and Risk Management Committee

Annual report to Agency Management Committee 2021/22

Australian Health Practitioner Regulation Agency
National Boards

GPO Box 9958 Melbourne VIC 3001 Ahpra.gov.au 1300 419 495

Ahpra and the National Boards regulate these registered health professions: Aboriginal and Torres Strait Islander health practice, Chinese medicine, chiropractic, dental, medical, medical radiation practice, midwifery, nursing, occupational therapy, optometry, osteopathy, paramedicine, pharmacy, physiotherapy, podiatry and psychology

Foreword

In accordance with its' charter the Finance, Audit and Risk Management Committee (FARMC) has conducted a review of its activities for the financial year 2021/22 and provides this annual report to the Agency Management Committee (AManC) and for publication on the Ahpra website.

Members expressed gratitude to National Board member Allyson Warrington for her commitment and contribution to the effective function of the Committee over her term when it ended in August 2021.

Dr Susan O'Dwyer of the Medical Board Australia was welcomed to the Committees in March 2022

The financial year 2021/22 has been another productive year with members completing an extensive program of work over virtual, blended and face to face meetings.

I would like to acknowledge and thank FARMC members, staff and auditors for their diligence and contribution to the work of FARMC throughout the year.

I am pleased to present the FARMC annual report 2021/22.

Barbara Yeoh AM

Chair

Finance, Audit and Risk Management Committee

Annual report 2021/22

Introduction

The FARMC function is to provide oversight of risk at the Scheme-wide level and to provide advice to the AManC. FARMC monitors the effectiveness of the corporate assurance framework, risk management, financial strategy and sustainability, and internal audit functions and provides oversight of the external audit process.

This report summarises the main work undertaken by FARMC in 2021/22. It has been produced in accordance with the FARMC Charter to support the AManC in its governance role and for publication on the Ahpra website.

FARMC composition, other attendees and meetings

2021/22 FARMC member and meeting attendance

Allyson Warrington's final term with the Nursing and Midwifery Board Australia (NMBA) concluded and she attended her last FARMC meeting on 23 August 2021

Susan O'Dwyer National Board member (Medical) was appointed to FARMC and attended her first meeting 7 March 2022

Name	Membership status	Attendance
Barbara Yeoh AM, Chair	Member, AManC	23 August 2021 9 November 2021 7 March 2022 14 June 2022
David Balcombe	External member	23 August 2021 9 November 2021 7 March 2022
Kim Jones	National Board member (Dental)	23 August 2021 9 November 2021 7 March 2022 14 June 2022
Jenny Taing OAM	Member, AManC	23 August 2021 7 March 2022 14 June 2022
Allyson Warrington	National Board member (Nursing and Midwifery)	23 August 2021
Anthony Evans	National Board member (Optometry)	23 August 2021 9 November 2021 7 March 2022 14 June 2022
Lynton Norris	Member, AManC	23 August 2021 9 November 2021 7 March 2022 14 June 2022
Susan O'Dwyer	National Board member (Medical)	7 March 2022 14 June 2022

2020/21 FARMC meeting other attendees

Members of Ahpra's executive and senior management were in attendance as required to provide information to meet FARMC's requirements and receive constructive feedback.

Internal and external auditors were in attendance and other independent assurance providers joined as guests to present reports and respond to questions.

Attendees	Position
<i>Ahpra staff</i>	
Martin Fletcher	Chief Executive Officer
Liz Davenport	Chief Financial Officer
Kym Ayscough	Executive Director, Regulatory Operations

Attendees	Position
Mark Edwards	Executive Director, People and Culture
Clarence Yap	Chief Information Officer
Chris Robertson	Executive Director, Strategy and Policy
Jit Patel	National Director, Organisational Risk and Resilience
May Giuliani	Corporate Counsel
Kelly Johnston	Deputy Chief Financial Officer
Sam Clausen	National Director, Business Transformation
Claire Fowler	Manager, Financial Accounting
Michael George	Director, Financial Control and Procurement
Sangeetha Masilamani	Program Manager, Government Relations
Paul Shinkfield	National Director, Strategy
David Watson	Director, Project Management Office
Rosa Romano	Director, Strategic Finance
<i>Victorian Auditor General's Office</i>	
Travis Derricott, Sector Director, Financial Audit	Victorian Auditor- General's Office
Remy Szpak, Senior Audit Manager	Victorian Auditor- General's Office
Sanchu Chummar, Director, Financial Audit	Victorian Auditor- General's Office
Joanne Marsh, Senior Manager, Financial Audit	Victorian Auditor- General's Office
<i>Internal auditors</i>	
Elma Von Wielligh-Louw, Partner	Deloitte Risk Advisory
Rob Baines, Senior Manager	Deloitte Risk Advisory
Cora Duval, Senior Manager	Deloitte Risk Advisory
Edvin Edisho, Partner	Deloitte Risk Advisory
<i>Other attendees</i>	
Claire Casucci, Consultant	Frontier Advisors
Julian Maiolo	Deloitte (formerly Paxton partners)
Simon Jarman	Deloitte (formerly Paxton partners)
Matthew Franklin	MF & Associates
Sajid Hasan	MF & Associates
Michael Rillstone	Independent external expert, Transformation program
Murray Thomas	Chair, Internal Audit tender evaluation committee

FARMC achievements 2021/22

Unqualified External audit opinion 2020/21

The 2020/21 financial statements were recommended to AManC following a smooth process and upon adoption, an unqualified VAGO independent audit opinion was achieved in time to meet reporting obligations.

FARMC noted the 2020/21 VAGO independent assurance on Ahpra revenue system controls and independent auditors report in relation to revenue collections on behalf of the HPCA.

Investment strategy

Obtained independent advice on the Investment strategy from Frontier Advisors and endorsed a change in strategic asset allocation that was approved by AManC.

The new policy was implemented by management in March 2022 with the establishment of an investing fund to improve the medium to long term return on financial assets.

The investment policy also incorporates principles of environmental, social and governance objectives aligned to expectations of the National Scheme.

Major program investment

Noted Transformation Program gateway reviews of Ahpra's major program to improve the future state experience for practitioners, staff, community, and regulatory partners and endorsed funding releases to the AManC.

Cyber risk management

Noted the Schemes cyber risk assessment and suite of effective controls. Obtained new dedicated Cyber insurance policy and noted the changes that limit coverage in Directors and Officers insurance policies.

Legislative compliance reporting

A legislative compliance reporting program was developed by Corporate legal and noted by FARMC for implementation and reporting of FY 2021/2022 statutory compliance.

Budget FY 2022/23

In the interests of continuous improvement in Committee effectiveness, noted a comprehensive checklist prepared and completed by management to report compliance to preparatory analysis, consideration and steps taken in budget preparation 2022/23. This included adoption of new cost allocation, improved forecasting, workforce planning models, delivery planning and tightly governed investment prioritisation.

Governance

FARMC observed best practice corporate governance through:

- a standing invitation to internal and external auditors to attend for the duration of all meetings
- meeting 'in camera' at each meeting with internal and external auditors without Ahpra management
- declaration of conflicts of interest at start of meeting by all members and all others present
- annual review of FARMC charter
- receiving regular advice on significant changes to legislation, including accounting standards
- activities to ensure compliance
- meetings with the Chair of the Regulatory Performance Committee and the Chair of People and Remuneration Committee to inform the FARMC strategic internal audit plan
- Chair updates on AManC decision on recommendations from FARMC

FARMC has no delegated power from AManC, however AManC may authorise FARMC to agree or approve a specific matter on its behalf. There were no such matters referred to FARMC in 2021/22.

Annual financial statements and external audit

VAGO provided a clear opinion and final management letter for FY 2020/21, reporting on one new medium level control risk, that was accepted for resolution by management.

- VAGO representatives attended each FARMC meeting
- FARMC endorsed the 2020/21 Financial statements to AManC for adoption, noting the completed financial compliance attestation and judgements and interpretations made by management.
- Noted the 2020/21 VAGO final management letter and Independent Auditor's report
- Noted the 2020/21 VAGO Independent assurance on Ahpra revenue system controls and Independent Auditor's report related to collections on behalf of the Health Professional Councils Authority (HPCA)
- Welcomed the new Director and Audit Manager appointed for FY 2021/22
- Noted the 2021/22 VAGO financial audit strategy
- Noted VAGO engagement by HPCA for 2021/22 of the controls in relation to the complaints component of registration fees paid to the NSW Councils via HPCA
- Noted the 2021/22 VAGO financial audit status update

Financial management reports

FARMC noted

- FY 2020/21 financial report for Ahpra and National Boards, noting the impact of COVID19 restrictions and Scheme response to business operations and costs.
- FY 2021/22 quarterly financial reports of operations and forecasts against budget for Ahpra and National Boards.
- quarterly investment and cash flow reports

Operating and capital budgets 2022/23

FARMC

- Introduced a budget attestation checklist for adoption by management in developing FY 2022/23 budgets
- Endorsed the Ahpra budget assumptions 2022/23 to AManC for approval
- Noted new National Board budget guidelines FY 2022/23
- Endorsed the FY 2022/23 Ahpra and National Boards operating budgets and renewals fees to AManC for approval and agreement in the Health Profession Agreements
- Endorsed the Ahpra capital budget to AManC for approval
- Provided feedback to management on budget strategy

2021/22 internal audit program

FARMC undertook the following activities with respect to the internal audit strategy

- Endorsed strategic risk themes to AManC for approval
- endorsed strategic internal audit strategy and plan FY 2022-24 to AManC for approval
- reviewed the internal audit charter and endorsed to AManC
- noted results of the internal audit effectiveness survey
- noted an ethical walls commitment letter from internal audit providers

FARMC agreed terms of reference for internal audits of

- Operating model benefits realisation health check
- Risk management

- Accreditation
- Disclosure data release (DDR)
- Management actions follow up

Independent audit reports presented to FARMC during 2021/22

Financial year 2021 Ahpra management actions follow up

- This internal audit was undertaken to reconcile management actions to Ahpra's action register and validate the completion status of actions in response to previous internal audit findings. The audit identified an issue in relation to completion of management actions within specified timeframes, noting a valid rationale is provided for delay.
- It was agreed that new work practices would be developed, and communication of expectations would occur regarding extension of management action due dates.

Ahpra staff health wellbeing and support services for vicarious trauma

- Ahpra developed the Wellbeing and Support Program (WBSP) specifically for the Regulatory Operations team with consideration for the types of work performed and the associated exposure to vicarious trauma. This internal audit assessed the adequacy and effectiveness of the Ahpra approach to managing the risk of vicarious trauma across high-risk roles.
- It was found that the introduction of the Program was timely as the vicarious trauma cases being managed by Ahpra continue to increase in complexity.
- Areas requiring improvement were in project management, incident reporting and actions to embed the Program more widely.

Transformation program – health check

- This internal audit assessed the adequacy and effectiveness of controls to manage the delivery and realisation of benefits from the Transformation Program. A program of this size, with the level of complexities in subject matter and coordination has never been undertaken previously by Ahpra.
- This report highlighted areas for improvement: to provide greater clarity of aspects of program and project management; visibility of budget performance requiring enhancement through detailed mapping of program costs to milestones and inclusion of costs previously excluded and capturing, managing and reporting all key program risks.
- The overall result was that improvement is required.

Accreditation

- This internal audit assessed the adequacy and effectiveness of the controls in place to monitor the agreements with External Accreditation Councils and Terms of Reference documents for internal Accreditation Committees.
- The audit noted that Ahpra has instigated several changes to the management of Accreditation Agreements / Terms of Reference since the outset of the Scheme and improvements are continuously considered by management to improve the contribution of accreditation to the Scheme.
- The overall result was that improvement is required.

Operating model benefit realisation health check

- This internal audit assessed whether the intended benefits of the Regulatory Operations operating model change (specific to the Registrations function) had been realised. Most of the evidence for benefit realisation was drawn from Ahpra's work and reporting on graduate registration and renewal campaigns which represents the highest proportion of the registration caseload.
- The audit found that the operating model change had a positive impact on the registration function and has been key in driving consistency across the registration process.
- As many of the benefits, intended and unintended, had been fully realised, the overall audit outcome was that the controls are effective.

Risk management

- Ahpra undertook an extensive exercise in early FY19 to review its Corporate Assurance Framework, which includes Ahpra's Risk Management Framework, Policy, Guidelines and Risk Appetite Statements. Ahpra's current risk management approach is based on the principles of ISO31000: Risk Management.
- This internal audit considered how the Risk Management Framework outlined in the Corporate Assurance Framework, has been implemented at Ahpra.
- The report highlighted several positive observations and acknowledged the work undertaken by Ahpra to date. The overall result was that improvement is required.

Disclosure data release

- The Disclosure data release (DDR) internal audit examined the process and controls in place to manage data disclosure release noting the potential sensitivity of information released to external parties. Ahpra maintains information on health practitioners, including both protected and publicly available information.
- The overall outcome of the audit was that the DDR control environment is effective with opportunities to improve Ahpra's DDR process and supporting controls.

Risk management, assurance and compliance

Internal control and risk management

FARMC reviewed

- Quarterly reports for on strategic risk themes, enterprise risk management and controls

National Quality Assurance Team (NQAT)

FARMC noted

- quarterly progress updates on the quality assurance work plan for 2021/22
- the FY 2022/23 NQAT workplan in developing the internal audit strategy

Health safety and wellbeing (HSW)

FARMC noted

- quarterly Health, safety and wellbeing (HSW) reports that include key metrics and emerging issues.

Critical incident management

FARMC reviewed and noted

- Progress on Critical incident management framework
- Independent threat assessment report for Ahpra and National Boards
- Advice on the threat assessment protocols and that elements of the specialist working parties on suicide prevention and vicarious trauma would be incorporated into the Framework

Serious incidents

FARMC reviewed and noted

- Quarterly reports on serious incidents
- thematic analysis of serious incidents FY 2020/21
- Ahpra's document redaction capability

Insurance

FARMC reviewed and noted

- Insurance placement and policy coverage for FY 2021/22
- quarterly insurance incidents and claims report

- verbal advice on insurance policies' status for FY 2022/23

Strategic Investments and project governance

FARMC noted

- noted quarterly Strategic initiatives portfolio reports
- noted quarterly Business Transformation program reports
- noted progress on the Cost Allocation program

Transformation Program

Overseeing the Transformation Program, Ahpra's major program to improve the future state experience for practitioners, staff, community and regulatory partners.

- Noted quarterly status reports
- noted independent gateway review reports for the Transformation Program in November and June and met with external expert reviewers
- endorsed two gateway funding releases be approved by the AManC
- endorsed outcomes of the delivery partner sourcing strategy and recommended procurement approval by AManC for amount/s exceeding the CEO financial delegation limit

Cost allocation program

- The Committee were kept informed of progress on the program for implementation of Ahpra cost allocation in FY 2022/23 and NSW Scheme cost allocation in FY 2022/23.
- Independent assurance of the NSW cost models was presented by Deloitte for discussion and noting by FARMC.
- The multi-year program of work has led to the successful implementation of models with improved transparency, reliability and flexibility for effective costing that is applied from budget year FY 2022/23.

Corporate policy recommendations to AManC

Policies and frameworks developed, reviewed and noted or endorsed for approval by AManC.

Policies considered by FARMC	Outcome
Investment policy	Approved by AManC in March 2022
Aboriginal and Torres Strait Islander Health Practice Board of Australia funding arrangements policy	Approved by AManC in November 2021
Procurement Policy	Approved by AManC in June 2022
Revenue Recognition Policy	Approved by AManC in June 2022
Gifts, Benefits and Hospitality Policy	Approved by AManC in June 2022

Reports and reviews

Other periodic reports reviewed and noted by FARMC

Procurement

FARMC noted quarterly reports on procurement exemptions granted by the CEO and contracts entered with a commitment value over \$500k.

Gifts, benefits and hospitality

- Annual report of Gifts, benefits and hospitality 2020/21, and new risk assessment criteria.

- Worked with management to develop and consult on an improved Gifts, benefits and hospitality policy to address audit findings and improve reporting quality and capability.

Delegations

- Annual review of financial delegation's 2020/21.

Fraud and corruption

- FARMC receives the Annual report of fraud and corruption 2020/21 with one immaterial matter reported and satisfactorily resolved during the reporting period.

Public interest disclosures

- Ahpra's Public interest disclosure policy is for the use of Ahpra staff as well as members of the public. FARMC received an annual report on public interest disclosures for consideration, and the information is published in the National Scheme annual report 2021/22.