



Finance, Audit and Risk Management Committee

Annual report to Ahpra Board 2022/23

Australian Health Practitioner Regulation Agency
National Boards

GPO Box 9958 Melbourne VIC 3001 [Ahpra.gov.au](https://www.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 2022/23 and provides this annual report to the Ahpra Board and for publication on the Ahpra website.

The financial year 2022/23 has been another productive year, with members completing an extensive program of work over virtual, blended and face to face meetings to meet its obligations. It was a year of post-pandemic recovery, with several external issues given closer attention by the Committee, including impacts of economic changes, support for health workforce and cyber security.

The Committee were pleased to have the term of independent external member Mr David Balcombe extended for a further two-year term. His understanding of the National Scheme, commitment to purpose and expertise in accounting, audit and risk management is invaluable.

Ernst & Young were newly appointed as internal audit provider in [month 2023], and several Committee members declared past professional engagements, however, no conflicts of interest were identified.

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 2022/23.

Barbara Yeoh AM

Chair

Finance, Audit and Risk Management Committee

Annual report 2022/23

Introduction

The FARMC function is to provide oversight of risk at the Scheme-wide level and to provide advice to the Ahpra Board. 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 2022/23. It has been produced in accordance with the FARMC Charter to support the Ahpra Board in its governance role and for publication on the Ahpra website.

FARMC composition, other attendees, and meetings

2022/23 FARMC member and meeting attendance

The Ahpra Board approved the extension of appointment of independent member, David Balcombe for a further term of two years, effective 31 May 2023, to 31 May 2025.

Name	Membership status	Attendance
Barbara Yeoh AM, Chair	Member, Ahpra Board	Aug, Nov 2022, Feb, Mar, Jun 2023
Anthony Evans	National Board member (Optometry)	Aug, Nov 2022, Feb, Mar, Jun 2023
David Balcombe	External member	Aug, Nov 2022, Feb, Mar, Jun 2023
Jenny Taing OAM	Member, Ahpra Board	Aug, Nov 2022, Feb, Mar, Jun 2023
Kim Jones	National Board member (Dental)	Aug 2022, Feb, Mar 2023
Lynton Norris	Member, Ahpra Board	Aug, Nov 2022, Feb, Mar, Jun 2023
Susan O'Dwyer	National Board member (Medical)	Aug 2022, Mar, Jun 2023

2022/23 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
Ahpra staff	
Martin Fletcher	Chief Executive Officer
Liz Davenport	Chief Financial Officer
Kym Ayscough	Executive Director, Regulatory Operations
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
Jarryd Osteraas	National Director, Corporate Risk and Resilience
May Giuliani	Corporate Counsel
Jamie Orchard	General Counsel
Rachel Garland	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
Bjorn Arne Berge	Security Operations and Platform specialist
Peter Johnston	Director, Strategic Finance
Chris Adnams	Director, Financial Reporting, and Analysis
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
Internal auditors	
Stuart Paynter	Ernst & Young
Ashlea McLeod	Ernst & Young
Other attendees	
Karla Harman	Victorian Funds Management Corporation (VFMC)
Liam Keegan	Victorian Funds Management Corporation (VFMC)
Claire Casucci, Consultant	Frontier Advisors
Matthew Franklin	MF & Associates
Sajid Hasan	MF & Associates
Michael Rillstone	Independent external expert, Transformation Program

FARMC achievements 2022/23

Unqualified external audit opinion 2021/22

FY2021/22 financial statements were recommended to Ahpra Board for adoption, following a smooth process, once again an unqualified Victorian Auditor General's Office (VAGO) independent audit opinion of the statements was received in time to meet reporting obligations.

Modern slavery

The FARMC recommended to the Ahpra Board, the new Modern slavery policy and Ahpra's Modern Slavery statement FY 2021-22 for publication, to meet important new compliance obligations that mitigate the risk of modern slavery practices occurring in supply chains.

Major program investment

Reviewed and noted quarterly reporting on the Transformation Program, Ahpra's major program to improve the future state experience for practitioners, staff, community, and regulatory partners and endorsed funding releases to the Ahpra Board

Cyber risk management

Implemented quarterly Cyber security program reports by management, to be presented to the Committee by the CIO and undertook benchmarking against the *Cyber Security Governance Principles*, AICD & Cyber Security Cooperative Resource Centre, October 2022.

Legislative compliance reporting

A legislative compliance report was noted by FARMC for implementation and reporting of FY2021/22 statutory compliance.

Delegations to support legislative amendments

Considered and endorsed changes to the Instrument of delegations, to support National Law amendments passed during FY2022/23. The legislative amendments were made to strengthen public protection and increase public confidence in health services provided by practitioners registered under the National Scheme.

Environmental, social and governance (ESG) framework

The FARMC provided comprehensive feedback to management on the adoption of an ESG framework, incorporating an Environmental Sustainability Strategy aligned to the UN Sustainability Goals, including climate change, to enhance delivery of the National Scheme Strategy to strengthen contribution to accessible and sustainable healthcare.

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. Ernst & Young were newly appointed as internal audit provider, with several Committee members declaring past professional engagements, as is best practice. These disclosures did not give rise to conflicts of interest.
- receiving regular advice on significant changes to legislation, including accounting standards
- annual review of FARMC Charter
- annual FARMC effectiveness review for reporting to Ahpra Board
- 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 Ahpra Board decisions on recommendations from FARMC

FARMC has no delegated power from the Ahpra Board, however the Ahpra Board may authorise FARMC to agree or approve a specific matter on its behalf. There were no such matters referred to FARMC in 2022/23.

Annual financial statements and external audit

VAGO provided a clear audit opinion and final management letter for FY2021/22, reporting on three medium level control risks, which were accepted for resolution by management.

- VAGO representatives invited to attend all FARMC meetings
- FARMC endorsed the 2021/22 Financial statements to the Ahpra Board for adoption, noting the completed financial compliance attestation and judgements and interpretations made by management.
- Noted the 2021/22 VAGO final management letter and 2021/22 external audit report
- Noted the 2021/22 VAGO Independent assurance of the controls, in relation to the notifications component of registration fees paid to the NSW Councils via Health Professional Councils Authority (HPCA)
- Noted the 2022/23 VAGO financial audit strategy
- Noted VAGO engagement by HPCA for 2022/23 of the controls, in relation to the notifications component of registration fees paid to the NSW Councils via HPCA
- Noted 2022/23 VAGO financial audit status updates, and 2022/23 interim management letter

Financial management reports

FARMC noted

- financial year 2021/22 financial management report for Ahpra and National Boards
- quarterly 2022/23 financial reports of operations against budget for Ahpra and National Boards
- quarterly 2022/23 investment performance reports
- quarterly 2022/23 cash flow reports.

Operating and capital budgets 2023/24

FARMC

- endorsed the Ahpra budget assumptions 2023/24 to Ahpra Board for approval
- noted the business case for a fee increase above indexation for one profession in the scheme
- endorsed the FY2023/24 Ahpra and National Boards operating budgets and registration fees to Ahpra Board for approval and inclusion in Health Profession Agreements
- endorsed the FY2023/24 Ahpra capital budget to Ahpra Board for approval

2022/23 internal audit program

The Chair, on behalf of the Committee, formally thanked the Partner of outgoing internal audit firm Deloitte for the provision of internal audit services since June 2015

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

- Noted the successful transition and onboarding of new audit providers, Ernst & Young commencing 9 August 2022.
- endorsed the FY2023 Strategic internal audit plan and three-year rolling internal audit plan for approval by Ahpra Board
- noted the eight strategic risk themes, areas of focus and their associated key controls and treatments
- noted results of the internal audit effectiveness survey

FARMC agreed terms of reference for internal audits of

- Payroll Boards
- Notifications Risk assessment and control framework for joint consideration
- Ahpra business resilience
- Budget process review
- Recruitment
- Financial year 2023 Ahpra management actions follow up

Independent audit reports presented to FARMC during 2022/23

Financial year 2022 Ahpra management actions follow up

- The internal audit considered a sample of management actions for internal audit findings rated as high and medium, which have been closed off by management between 1 July 2021 and 30 June 2022.
- The audit found a high number of action timeframes were extended and recommended that a root cause analysis of timeframe extensions be undertaken, to promote a continuous improvement culture.

Regulatory resource model (RRM) governance

- Considered Ahpra's governance, processes and controls in place supporting the Regulatory Operations directorate workforce budget, including governance of the RRM to inform the budget. The review found alignment between the model and resource plans and its ability to evolve with Ahpra's requirements.
- Recommendations on policy, feedback loop and iterative improvements to the RRM model to support improved governance so that it continues to be an effective tool to inform resource-based decisions.

Business resilience

- Considered the overarching business continuity management (BCM) and critical incident management processes and controls at Ahpra, to foster business resilience and the design of Ahpra's planned approach for completing the BCM program.
- This internal audit project was undertaken at a point in time where Ahpra was in the process of reviewing its business resilience activities and developing a program of work to support uplift in business resilience. The findings and recommendations raised in this Internal Audit report support Ahpra to further embed and uplift BCM practices.

Notifications Risk assessment and control framework for joint consideration

- Considered how Ahpra implements the risk assessment process for notifications received for health practitioners registered in Queensland, that are jointly considered by the Office of the Health Ombudsman and Ahpra.
- Recommendations were provided that further enhance the joint consideration process, so that it supports more timely assignment of a notification to the appropriate entity, and therefore contributes to the overall timely management of the notification.

Risk management, assurance, and compliance

Internal control and risk management

FARMC

- endorsed the updated Business continuity framework which aligns with *ISO 22301:2019 Security and resilience – Business continuity management systems*
- endorsed the updated Risk management framework, which adopts the *ISO 31000:2018 Risk Management principles* and, replaces the Corporate assurance framework
- reviewed and noted quarterly reports for on strategic risk themes, enterprise risk management and controls

National Quality Assurance Team (NQAT)

FARMC reviewed and noted

- quarterly progress updates on the quality assurance work plan for 2022/23
- the FY2023/24 NQAT workplan in developing the internal audit plan 2023/24
- the NQAT annual report.

Health safety and wellbeing (HSW)

FARMC reviewed and noted

- quarterly HSW reports that include key metrics and emerging issues
- refresher due diligence training planned for persons conducting a business or undertaking.

Serious incidents

FARMC

- reviewed and noted quarterly reports on serious incidents, and
- commissioned and considered an NQAT report on breaches of privacy.

Insurance

FARMC reviewed and noted

- insurance placement and policy coverage for FY2023/24
- quarterly insurance incidents and claims report.

Delegations and administrative authorisations

Undertook its annual review of register of financial administrative authorisations, noting changes to the financial administrative authorisations within the Delegation, Sub-delegation and Administrative Authorisation Manual during FY 2021-22.

Environmental, social and governance (ESG) framework

The FARMC provided comprehensive feedback to management on the adoption of an ESG framework, incorporating an Environmental Sustainability Strategy aligned to the UN Sustainability Goals, including climate change, to enhance delivery of the National Scheme Strategy to strengthen contribution to accessible and sustainable healthcare.

With the evolution of ESG disclosure rules, the Committee asked to be kept apprised on the status of Ahpra's reporting obligations and a Scheme ESG program, and supported the terms of reference for the Ahpra climate change group

Corporate policy recommendations to Ahpra Board

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

Policies considered by FARMC	Outcome
Investment policy	Approved by Ahpra Board Nov 2022
Fee setting policy	Approved by Ahpra Board Nov 2022
Information security policies	Approved by Ahpra Board Nov 2022
Modern slavery policy	Approved by Ahpra Board Nov 2022
Credit card policy	Approved by Ahpra Board Nov 2022
Delegation, sub-delegation, and administrative authorisation manual	Approved by Ahpra Board Dec 2022
Equity Framework	Approved by Ahpra Board Dec 2022
Schedule 7 of HPA amendments	Approved by Ahpra Board Dec 2022
Risk management framework	Endorsed by FARMC to Ahpra Board
Business continuity framework	Endorsed by FARMC to Ahpra Board
Budget preparation checklist	Noted by FARMC August 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

Noted the Annual report of Gifts, benefits, and hospitality 2021/22 which had been prepared in accordance with the revised policy adopted in 2021/22.

Delegations and administrative authorisations

FARMC reviewed and endorsed the changes made during the annual review of financial administrative authorisations to the Ahpra Board for approval

Legislative compliance

Comprehensive legislative compliance testing for 2021/22 was deferred due to other management priorities.

Fraud and corruption

FARMC noted the Fraud and corruption control annual report 2021/22 and were provided an overview of the one report of attempted fraud and reviewed and noted actions taken to strengthen controls.

Public interest disclosures

FARMC received the annual report on public interest disclosures FY2021/22 for consideration and noted that the information is published in the National Scheme annual report each year. This disclosure is reported in the 2021/22 National Scheme Annual Report.

Strategic investments and project governance

Strategic initiatives

FARMC noted

- quarterly Strategic initiatives portfolio reports
- quarterly Business Transformation Program reports
- the closure of Review of equity and cost allocation reference group

Transformation Program

In overseeing the Transformation Program, Ahpra's major program to improve the future state experience for practitioners, staff, community and regulatory partners, the Committee:

- reviewed and noted the quarterly status reports
- noted the independent gateway review reports for the Transformation Program in [month] and [month] and met with the external expert reviewers
- endorsed the gateway reviews for Ahpra Board approval to release funding
- endorsed procurement approval, for the CEO to execute agreement above the CEO financial authorisation limit
- endorsed a change in the cost allocation methodology for the build phase of the Transformation Program
- noted general correspondence from PwC Consulting Australia in relation to adverse media attention, arising from its breach of confidential government information, and further correspondence from PwC Australia/Scyne [Advisory?] expressing their commitment to Ahpra's Transformation Program.

Equity framework review

Members considered a review of the Scheme equity framework, including analysis, independent advice on appropriate risk pools, and a recommended change to the Rules of equity.

- noted the closure of Review of equity and cost allocation reference group
- endorsed the equity framework review, recommendations, and implementation plan.