



Finance, Audit and Risk Management Committee

Annual report 2019/20

Australian Health Practitioner Regulation Agency
National Boards

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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.

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Foreword

The annual report of the Finance, Audit and Risk Management Committee (FARMC or the Committee) for 2019/20 financial year is provided in accordance with the FARMC Charter. FARMC is a committee of the Agency Management Committee (AManC) that provides governance oversight of finance, audit and risk.

It was another very productive year for the Committee, and I would like to thank FARMC members, Ahpra staff and our external and internal auditors who contributed to an important program of work for the 2019/20 year. In particular, I would like to acknowledge and commend their commitment and diligence to ensure that the important work of the Committee continued to progress with the onset of the COVID-19 crisis.

At its March meeting, the Committee was pleased to welcome the new Chief Financial Officer, Ms Liz Davenport following the resignation of Ms Sandrah Horsfall in September 2019.

The environment in which Ahpra and the National Scheme operates is dynamic. FARMC plays an important governance role in providing oversight, scrutiny and assurance that Ahpra is continuing to evolve into a more agile, forward-looking organisation that is better equipped to deal with future growth in its regulatory workload and in managing risks and responding to changed expectations. Over the first six months of 2020 this included the significant impact of COVID-19 and oversight of Ahpra's business continuity response and recovery.

The Committee oversaw an active program of internal audits and independent reviews that provides objective assurance that Ahpra is operating in an efficient and effective manner. The program included:

- Health, safety and wellbeing
- Investigations performance and productivity
- Contract management
- Payroll
- Business Services restructure
- Operating model governance health check (Regulatory Operations)
- Organisational response to COVID-19
- Follow-up on Management Action Plan implementation
- Salesforce order form execution
- Pulse project assurance reviews
- Digital House project quality assurance reviews.

These audits and reviews each identified areas for improvement as Ahpra looks to continuously strengthen the efficiency and effectiveness of its processes, systems and controls. These reports form an important part of the work Ahpra is doing to embed a proportionate and systematic approach to its assurance framework and the management of its strategic, enterprise and operational risks.

I am pleased to present the FARMC annual report 2019/20.

Barbara Yeoh AM

Chair

Finance, Audit and Risk Management Committee

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Role of FARMC

The AManC has established the Committee to provide assurance, advice and recommendations in the following areas:

- The appropriateness of the financial strategy to ensure the financial sustainability of Ahpra and the National Boards, taking into account the Health Practitioner Regulation National Law as in force in each state and territory (the National Law) and the relevant policy and directions of Ministerial Council
- The adequacy and effectiveness of the approach to corporate assurance, encompassing the processes of governance, risk management, compliance and the internal control environment to ensure the processes operate as intended and are in line with leading practice
- Risk management activities, including making recommendations to improve the three lines of defence framework and to bring any issues to AManC's attention. The Committee works closely with Ahpra management to ensure that AManC receives adequate reporting on the National Scheme's risks
- The adequacy and effectiveness of internal processes and controls for ensuring compliance with statutory and regulatory requirements, codes of conduct and reasonable community expectations
- The adoption of an annual and strategic audit internal plan and any significant issues that arise out of internal audit activities
- The National Scheme's annual budget and National Boards' health practitioner annual registration fees for recommendation to the AManC
- The annual financial statements for recommendation to the AManC
- Major scheme-wide projects being undertaken by Ahpra.

Powers and responsibilities of FARMC

The Committee has no delegated power from the AManC, however AManC may from time to time, authorise FARMC to agree or approve specific matters on its behalf.

The Committee's function is to provide oversight of risk at the National Scheme level and to provide advice to the AManC on the effectiveness of the corporate assurance framework and risk management, financial strategy and sustainability, and internal audit functions. The Committee also provides oversight of the external audit process.

Membership

Members are appointed to FARMC by AManC for a term not exceeding three years. Members may be re-appointed for two additional terms.

The Committee's membership will consist of up to seven members including, at least:

- one member who is a chartered accountant with audit experience,
- up to three members of the AManC, and
- three members of National Boards.

The External Auditor and Internal Auditor attend the Committee meetings through a standing invitation of the Chair.

The following capabilities are deemed requisite for FARMC as a whole, and its members should demonstrate at least two of the following:

- a sound understanding the National Scheme governance and the core functions of Ahpra,
- financial literacy and commercial acumen,
- management of internal audit programs and external auditors,

- experience and competence in advising on the treatment of enterprise risk, or
- a sound understanding of information management and information technology enterprise strategy and risk.

During 2019/20, membership included:

Name	Membership status	Attendance
Barbara Yeoh AM, Chair	Member, AManC	20 August 2019 25 November 2019 10 March 2020 11 May 2020
David Balcombe	External member	20 August 2019 25 November 2019 10 March 2020 11 May 2020
Kim Jones	National Board member (Dental)	20 August 2019 25 November 2019 10 March 2020 11 May 2020
Jenny Taing OAM	Member, AManC	20 August 2019 10 March 2020 11 May 2020
Allyson Warrington	National Board member (Nursing and Midwifery)	20 August 2019 25 November 2019 10 March 2020 11 May 2020
Anthony Evans	National Board member (Optometry)	25 November 2019 10 March 2020 11 May 2020

During 2019/20 attendees included:

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
Barry Bennett	Director, Corporate Risk and Compliance
Jit Patel	A/Director, Corporate Risk and Compliance
Megan Taylor	Corporate Counsel
May Giuliani	Corporate Counsel
Kelly Johnston	A/Director - Finance and Procurement
Damian Byass	Interim Chief Financial Officer
Phil Cadman	Senior Legal Advisor
Ella Caulfield	Health Safety and Wellbeing Specialist
Sam Clausen	National Director, Business Transformation
Sarndrah Horsfall	Executive Director, Business Services
Claire Fowler	Manager, Financial Accounting
Vijay Narayan	Information Security Manager

Attendees	Position
Nick Lord	National Director, Engagement and Government Relations
Andrea Oliver	Program Manager, Government Relations
Michelle Powell	Policy Officer
Martin Roche	Senior Reporting Specialist
Victorian Auditor General's Office	
Travis Derricott, Sector Director, Financial Audit	Victorian Auditor-General's Office
Remy Szpak, Senior Audit Manager	Victorian Auditor- General's Office
Internal auditors	
Elma Von Wielligh-Louw, Partner	Partner, Deloitte Risk Advisory
Rob Baines, Senior Manager	Senior Manager, Deloitte Risk Advisory
Carlee Hutchings	Manager, Deloitte Risk Advisory
Other	
Tom Hughes	Consultant - assurance advisor
Sean Schmidt	Partner Management Consulting, KPMG

FARMC activities for reporting period 2019/20

Governance

FARMC observed best practice corporate governance through:

- 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 free of Ahpra management
- declaration of conflicts of interest at start of meeting by all members and all others present
- receiving regular advice on significant changes to legislation, including accounting standards, and Ahpra activities to ensure compliance.
- annual meeting between Chair and audit providers.

The annual review of the FARMC Charter and the annual performance review of the effectiveness of the Committee against relevant Australian National Audit Office and professional better practice guides was deferred as part of the overarching AManC review of its committees.

Financial strategy and sustainability

Annual financial statements 2018/19

The Committee reviewed and provided feedback to management on statement preparation assumptions, the application of accounting policies, including provisions, and the shell accounts for attention before finalisation. There were no material changes to accounting policies for the 2018/19 accounts.

The Victorian Auditor-General's Office (VAGO) provided external audit services during the year, conducting planning, interim and final audit services, and was represented at all FARMC meetings. The Responsible Director is Mr Travis Derricott.

The audit report for the financial year ending 30 June 2019 from the VAGO was received with an unqualified audit opinion and the management report was received with no issues for resolution.

The annual financial statements for the financial year ending 30 June 2019 were reviewed and recommended to AManC for signing. FARMC commended Finance staff for both the quality and timeliness of the preparation of the annual financial statements.

Financial reports 2019/20

The Committee received and noted quarterly financial reports and analysis on the favourable results evident for all Boards and the break-even position for Ahpra.

The Committee monitored cash flows and investment performance. Interest rates declined during 2019/20 and are further impacted by the economic shock of COVID-19.

Capital expenditure largely related to IT infrastructure and licensing and included capital costs associated with the Digital House and Pulse projects.

Operating and capital budgets

At its March 2020 meeting, FARMC endorsed for AManC approval the 2020/21 budget assumptions and the revised methodology for registration income assumptions that provides for the capture of movements between registration types or variances of growth between registrant types.

Due to timing, consideration of the final 2020/21 budget and National Board fees was held over until its meeting on 29 July 2020.

Matters of note

The Committee noted management's progress on the introduction of an investment framework based on the Victorian Government's Investment Management Standard to assess the value and benefits of National Scheme initiatives and prioritise them for investment as part of the development and implementation of a portfolio management framework.

COVID-19

The context and approach for the Ahpra business continuity response to COVID-19 was noted by FARMC at its March 2020 meeting.

FARMC noted the approach and planning for the reopening of offices and to move through the recovery and transformation phases for the pandemic at its May 2020 meeting.

FARMC noted Ahpra's COVID-19 risk assessment and preparedness, including the establishment of a governance arrangements to mitigate risk and ensure business continuity.

FARMC endorsed an internal audit to assess the organisational response to COVID-19 to provide an assessment of the response and advice on emerging risks.

Out-of-session advice was received in regard to Commonwealth Government grant funds of \$6m secured by Ahpra for the Health Workforce Program.

Quality assurance activities

Mr Tom Hughes continued to be engaged during 2019/20 to provide independent assurance reviews of the Pulse and Digital House projects, with a focus on the projects' health and to provide early advice of possible issues to be remedied before they became significant risks or actual problems.

Pulse

The Committee received Tom Hughes 'Systems Under Development' quarterly audits of the Pulse enterprise resource planning (ERP) project with the objectives to; identify status on recommendations, review business and project risks, focus on critical topics, issues and possible areas of concern.

At the November 2019 FARMC meeting, Mr Hughes reported improvements to the management and governance of the Pulse team and the Committee accepted his recommendation that the report be his last in the series.

Digital House

Digital House update reports from management were noted by the Committee throughout 2019/20 on status of the Digital House Project Recovery, Business Case working group and Data groups.

At the November 2019 FARMC meeting, Tom Hughes' 'Systems Under Development' quarterly report assessed the Digital House Project Recovery work as largely achieved and recommended closure its Steering Committee. FARMC noted that following the closure of the Recovery Project that the Digital House Delivery Steering Committee is responsible for governance, actions and new business case.

The Committee also noted the appointment of KPMG to develop the Transformation Program business case, which was subsequently presented in March 2020 to FARMC and endorsed for consideration by AManC and the National Boards.

At its May 2020 meeting, the Committee noted the final assurance report on the closure of the Digital House project, which has now been replaced with the Transformation Program.

In response to COVID-19 impacts, at its May 2020 meeting FARMC then endorsed for AManC approval, management's proposal in for a Lead in Establishment Program (LiEP) at nil additional cost, to maintain momentum and support continuation of the Transformation Program and allowing 18 months for completion of Year One Business Case Program.

National Quality Assurance Team (NQAT) annual report 2018/19

In response to an internal audit recommendation and review undertaken by the Institute of Internal Auditors, new terms of reference and framework for the NQAT were developed late in 2018 with a view that the NQAT was to undertake second line of defence activities as part of the three lines of defence model.

The Committee received the inaugural annual report of the NQAT for 2018/19 at its meeting in August 2019. This report provided an overview of the activities undertaken by the NQAT under the second line of defence within the assurance framework. The majority of the reviews undertaken by the NQAT were related to regulatory operations and reports were provided to the National Executive for consideration.

Risk management

Internal control, risk management and serious incidents

The Committee reviewed Ahpra's system of internal control and risk management over the year, including discussing key audit findings, management actions to remedy significant issues and monitoring implementation of remedial actions.

The Committee reviewed and noted the updated Critical Incident Management Framework and Business Continuity Framework.

The Committee received quarterly extracts from the Corporate Assurance Plan for Strategic Risks or for any other material changes to the plan. The reports included the status of identified mitigating actions. At its May 2020 meeting, the Committee reviewed and endorsed the renewed Strategic Risk Themes 2020–25 for recommendation to AManC.

Periodically, the Committee reviewed significant operational risks at the Directorate level which included the opportunity to discuss the level of risk with the relevant Executive Director.

Serious incidents are managed through the Critical Incident Management Framework and a register of serious incidents is maintained. The Committee reviewed the status of serious incidents quarterly.

Cyber security

The Committee has been committed to improving Ahpra's cyber resilience capabilities. Over recent years there has been significant improvements made to further mitigate cyber risk.

In 2019/20 Ahpra had re-assessed its IT security risks and updated its Security Strategy. The annual independent security penetration testing conducted in August 2019 concluded that the Ahpra network has sufficient controls to prevent external attack on web services.

In 2020, Ahpra responded successfully to the COVID-19 pandemic business continuity situation. Although the industry saw an elevated level of cyber security threat during the pandemic, Ahpra's cyber security resilience in threat protection, monitoring and response was seamless during this period.

An internal audit of cyber security is scheduled for 2020/21.

Insurance

The National Scheme's Risk Mitigation Strategy includes the appropriate and proportional placement of insurances. Throughout the financial year, the Committee monitored insurance notifications and claims, and the insurance portfolio was reviewed and successfully renewed for the 12 months to June 2020.

Critical incident management

The Committee noted the Critical Incident Management Framework (CIMF) at its November meeting. The suite of frameworks and plans were adopted in November 2019, including emergency control, serious incident management, business continuity framework, cyber security and disaster recovery plans.

From March 2020 business continuity activity largely focussed on business impact and response readiness relating to COVID-19.

Reports on serious incidents were noted by the Committee at each meeting and it was noted that management have committed to refining the reports to ensure concise, de-identified yet relevant insights are provided.

A desktop test of the CIMF was proposed for Q3 2019/20, however due to the COVID-19 pandemic the simulated test was not necessary.

Internal audit

Deloitte provide internal audit services to Ahpra and were reappointed by AManC as Internal Auditor for a further 3-year term commencing 1 August 2019. The Internal Audit Plan 2019/20 is part of a rolling three-year Strategic Internal Audit plan and was approved by AManC on the recommendation of the Committee. The Internal Audit plan takes into account the National Scheme's strategic risks, the quality assurance activities undertaken as part of Ahpra's three lines of defence program and past internal audits. determines the priorities for internal audit activity.

The implementation of management actions in response to audit findings is monitored at each FARMC meeting.

2019/20 internal audits

The following audits were completed and reported during 2019/20.

Measurement of notification performance and productivity (investigations)

This internal audit assessed the processes and controls in place to establish and monitor targets for investigations performance and productivity.

The auditors noted that at the time of the audit, significant change was occurring in notifications and progress was being made to define and report on performance and productivity.

While changes were being implemented in notifications, the audit highlighted that the underlying notification measurement framework for investigation would benefit from further documentation and development.

The audit also identified observations relating to formalisation and communication of performance and productivity measures; issues relating to clarity of the operating model and accountabilities; and the need for improved data collection, integrity and reporting for investigations.

Consultation processes for registration standards, codes and guidelines

This internal audit assessed the adequacy and effectiveness of Ahpra's role in coordinating consultation on the development of registration standards, codes and guidelines and included benchmarking against other organisations. The audit focused on three specific Boards (Pharmacy, Nursing and midwifery and Paramedicine) and one multi-profession consultation.

The audit found that Ahpra conducts extensive consultation to support transparency around proposed changes to standards, codes and guidelines and has established a framework to deliver consultations. Ahpra has a group of experienced policy and communication staff who work on consultation requirements for their respective National Boards. These staff also collaborate in several forums to share ways of working with their peers.

While a continually evolving, comprehensive framework does exist to oversee policy change, the audit identified a few improvement opportunities to enhance the end-to-end consultation process.

Health, safety and wellbeing

This internal audit assessed the design and implementation of Ahpra's approach to managing health, safety and wellbeing (HSW) risks for both Ahpra staff and Board members across all Ahpra locations.

There has been continued focus on improving the HSW outcomes for staff at Ahpra through such activities as the development of new HWS policies, the appointment of a dedicated Health, Safety and Wellbeing Specialist, the establishment of governance for HSW committees and reporting on incident and injury data performance.

The audit found revising, updating and enhancing Ahpra's current Workplace Health and Safety Management System (WHSMS) necessary to ensure future progression of a consistent and continually improving systematic safety compliance.

Business Services restructure

This internal audit involved a desktop exercise to analyse the re-alignment of the Business Services directorate's accountabilities, budget rules and delegations following the restructure within the directorate.

The audit found that considerable consultation was undertaken, the financial delegations were amended appropriately, and roles had been updated to reflect the revised structure. Findings reported that key accountabilities transfers had been reflected across the budget, policies, risks and contracts however it was noted that position descriptions required updating.

Risk-based methodology for notifications

This internal audit was a health check to evaluate the implementation of the risk-based methodology for assessing notifications. In particular it looked at the design and application of the controls and processes in place to manage the prioritisation of notifications received by the National Intake and Assessment team.

Ahpra has been rolling out a risk-based methodology to prioritise notifications that require the most urgent attention. As part of the audit a Control Culture Survey was undertaken as well as two workshops conducted to assess the attitude towards management risks and controls and to discuss risk-based assessments and the controls in place. Overall, three main themes were identified as areas for improvement: training; tools and guides; and risk rating classifications.

The audit found that while there was a clear method for implementing the methodology, Ahpra would benefit from more structured project planning activities, training, definitions of performance metrics, risks and risk appetite.

This audit report was shared with the Regulatory Performance Committee who, together with the Executive Director Regulatory Operations, welcomed the report to both inform and provide a clear direction for the next phase of the roll-out of the risk-based methodology.

Payroll

This internal audit assessed the adequacy and effectiveness of controls governing Ahpra’s employee payroll process to ensure the right people were paid the right amount on time.

While significant progress has been made to improve payroll processes and streamline payroll activities during a time of significant change, this internal audit highlighted that further work relating to systems and processes would benefit Ahpra.

The assurances provided in this audit report were welcomed by both FARMC and the National Executive, given the public reporting of significant underpayment of employees in several large organisations.

Contract management

This internal audit examined the adequacy of the controls and processes in place at an enterprise/directorate/business unit level over the ‘commit to contract’ and ‘management of contracts’ part of the contract management life cycle.

Of concern to the Committee, and as acknowledged by the National Executive, the audit identified there was considerable work to be done in the implementation of the procurement policy framework previously approved in 2018.

The audit identified several improvement opportunities highlighting the need to review the Contract Management Framework and supporting documents to provide greater guidance surrounding contract risk management, key accountabilities, policies and procedures and stakeholder training.

External audit

The Victorian Auditor-General’s Office (VAGO) provided external audit services during the year, conducting planning, interim and final audit services.

The Responsible Director was Mr Travis Derricott who, together with the VAGO Senior Manager, Financial Audit Mr Remy Szpak, was in attendance for each FARMC meeting and for in-camera discussions and management-free meetings with the FARMC Chair. This also provided the opportunity for the Committee to be briefed by VAGO on topical issues across the public sector, including better practice developments in assurance activities.

Compliance

FARMC has a role in assessing compliance in line with audit findings, statutory and regulatory requirements, codes of conduct and matching community expectations.

Major policy recommendations to AManC

During the year a number of policies were developed, reviewed and endorsed for approval by AManC. With regard to delegations, several restructures and title changes occurred during the year and the Delegations policy required more regular consideration to ensure management operations were effective.

Policies considered by FARMC	Policies recommended to AManC
Ahpra Financial Delegations	Approved at AManC 2019-08 (29 August 2019) Approved at AManC 2020-05 (19 May 2020)
Ahpra Credit Card Policy	Approved at AManC 2019-12 (17 Dec 2019) Approved at AManC 2020-05 (19 May 2020)
Point of Sale Policy	Approved at AManC 2020-03 (17 March 2020)
Capital Expenditure Policy	Approved at AManC 2019-12 (17 Dec 2019)

	Approved at AManC 2020-03 (17 March 2020)
Ahpra Travel Policy	Approved at AManC 2019-12 (17 December 2019)
Ahpra Policy Framework	Noted at AManC 2020-04 (21 April 2020)

Fraud and corruption

The Committee reviewed the revised Fraud and Corruption Policy and Framework at its August 2019 meeting.

At its May 2020 meeting the Committee noted the annual overview on public interest disclosures received in 2019. During 2019, nine referrals were received by the provider *Stoptline*. After assessment none of these referrals were found to meet the criteria of public interest disclosures.

Ahpra's Public Interest Disclosure (Whistleblower) Policy is for the use of Ahpra staff as well as members of the public. At its May 2020 meeting, the Committee reviewed the arrangements and policies in place for managing concerns about the conduct of Ahpra staff and Board members in their work in administering the scheme. The updated policy was published on both Ahpra's website and staff intranet in June 2020 to reflect changes in legislation, new service provider (Deloitte Halo) and editorial updates.

Health, safety and wellbeing

The Committee was provided quarterly updates of key health, safety and wellbeing (HSW) metrics, lead and lag indicators including:

- incident reporting trends
- workers' compensation claims performance
- lost time injury frequency rate (LTIFR)
- near-hit reporting
- committee meeting compliance
- Employee Assistance Program (EAP) uptake analysis.

It has largely been identified that emerging themes from the EAP reports are aligned with published Pulse surveys and the C4M Consultancy report on bullying and harassment reported that some levels of incivility and workload stressors are impacting on employee wellbeing and engagement however no evidence of bullying and harassment was identified.

The Committee remained informed of wellbeing program delivery across Ahpra including the Regulatory Operations-owned Wellbeing and Support Program and other wellbeing initiatives available to all employees and board members such as gyms, financial institutions, immunisation programs and fitness apps.

The Health, Safety and Wellbeing Advisor was pivoted into COVID-19 response in late February 2020 and has remained focussed on ensuring Ahpra's mobilisation and return of its workforce is undertaken in a manner that achieves compliance with published public health advice while minimising impacts to the emotional and physical wellbeing of Ahpra employees and Board members. Pleasing outcomes have been made in this space with several clear guidance documents, protocols and processes enacted to support the stand-down and recovery response, however this diversion has delayed work progressing against audit findings and HSW review processes as planned.