

Finance, Audit and Risk Management Committee

Annual report to Agency Management Committee 2020/21

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 2020/21 and provides this annual report to the Agency Management Committee (AManC) and for publication on the Ahpra website.

The 2020/21 year was another very productive year for FARMC, and members expressed their thanks to Ahpra management on its business continuity response to COVID-19 and the effectiveness of a virtual format for all meetings.

In August 2020 FARMC reviewed and recommended Ahpra's annual financial statements 2019/20 to AManC for adoption. An unqualified external audit opinion was provided by the Victorian Auditor General's Office (VAGO).

Ahpra's 2020/21 operating budget and capital expenditure budgets were reviewed and recommended to AManC for approval and National Board budgets recommended for inclusion in the Health Profession Agreements (HPAs).

Ahpra and National Board operating results were reviewed in each quarter of 2020/21 and the factors contributing to the favourable financial performance for the Scheme were considered and monitored by the FARMC. The impact of COVID-19 on business operations extended well beyond budget assumptions.

FARMC undertook an annual review of the internal audit strategy and oversaw a full program of internal audits and independent 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.

During the year FARMC reviewed and developed several corporate compliance policies and frameworks for approval by AManC.

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 2020/21.

Barbara Yeoh AM

Chair

Finance, Audit and Risk Management Committee

Annual report 2020/21

Introduction

The FARMC function is to provide oversight of risk at the Scheme-wide 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 and to provide oversight of the external audit process.

This report summarises the main work undertaken by FARMC in 2020/21. It has been produced in accordance with the FARMC Charter to support the Agency Management Committee (AManC) in its governance role and for publication on the Ahpra website.

FARMC composition, other attendees and meetings

During the year, two FARMC members were reappointed for a further term and one vacancy was filled by a new member of AManC, bringing the total to the maximum of seven.

2020/21 FARMC member and meeting attendance

Name	Membership status	Attendance
Barbara Yeoh AM, Chair	Member, AManC	29 July 2020 24 August 2020 1 September 2020 9 November 2020 1 March 2021 21 June 2021
David Balcombe	External member	29 July 2020 24 August 2020 1 September 2020 9 November 2020 1 March 2021 21 June 2021
Kim Jones	National Board member (Dental)	29 July 2020 24 August 2020 1 September 2020 9 November 2020 1 March 2021 21 June 2021
Jenny Taing OAM	Member, AManC	29 July 2020 24 August 2020 1 September 2020 9 November 2020 1 March 2021 21 June 2021
Allyson Warrington	National Board member (Nursing and Midwifery)	29 July 2020 24 August 2020 9 November 2020 1 March 2021 21 June 2021
Anthony Evans	National Board member (Optometry)	29 July 2020 24 August 2020 1 September 2020 9 November 2020 1 March 2021 21 June 2021
Lynton Norris*	Member, AManC	1 March 2021 21 June 2021

* Appointed 1 October 2020

2020/21 FARMC meeting other attendees

Members of Ahpra's executive and senior management were in attendance as required to provide information and advice to meet FARMC requirements. 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
May Giuliani	Corporate Counsel
Kelly Johnston	Deputy Chief Financial Officer
Sam Clausen	National Director, Business Transformation
Claire Fowler	Manager, Financial Accounting
Andrea Oliver	Program Manager, Government Relations
Michael George	Director, Financial Control and Procurement
Alyssa Ianno	Legal Advisor
Sangeetha Masilamani	Program Manager, Government Relations
Megan Baker	National Director, Employee Services
Bjorn Arne Berge	Cyber Security and Technology Advisory
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
Other attendees	
Simon Jarman	Paxton Partners
Julian Maiolo	Paxton Partners
Tom Hughes	Independent Assurance advisor

FARMC achievements 2020/21

It was a very productive year for FARMC with the completion on an extensive workplan, notwithstanding that all assurance and audit activity was conducted remotely due to the COVID-19 pandemic restrictions.

FARMC undertook an effectiveness survey and participated in a workshop in September 2020 where the survey results were reviewed, and a *FARMC effectiveness action plan* developed. Pleasing progress on the agreed actions, including those relevant to management, was noted by FARMC at the February 2021 meeting.

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
- initiating meetings with the Chair of the Regulatory Performance Committee to inform the FARMC strategic audit plan
- annual meeting between Chair and audit providers.

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 2020/21.

Annual financial statements and external auditors

VAGO provided external audit services during the year, conducting planning, interim and final audit services. The VAGO audit director responsible for Ahpra external audit was present at all but the November 2020 FARMC meeting.

The annual financial statements for the financial year ending 30 June 2020 were reviewed and recommended to AManC for adoption. The VAGO audit report for the financial year ending 30 June 2020 was received with an unqualified audit opinion. FARMC commended finance staff for the quality and timeliness of the preparation of the annual financial statements

VAGO provided its assurance on the operating effectiveness of the registration revenue system in relation to NSW practitioners and provided a clear opinion that the controls were suitably designed and operating effectively throughout the 2020/21.

FARMC reviewed and endorsed management's new financial compliance checklist to support financial statement preparation in 2020/21.

VAGO provided its advice on its interim audit findings in June 2021 in advance of the end of year.

Financial management reports 2020/21

FARMC received and noted quarterly financial operations reports and analysis on the favourable results evident for all Boards and for Ahpra. The impact of COVID-19 on business operations extended well beyond budget assumptions.

FARMC monitored cash flows and investment performance. Interest rates declined further during 2020/21 with the economy impacted by COVID-19 and FARMC considered changes to *Ahpra's Investment policy* that will be finalised in 2021/22.

Capital expenditure largely related to IT infrastructure and licensing, and included costs associated with the Transformation Program and the business continuity plan.

Operating and capital budgets

At its March 2021 meeting, FARMC endorsed the 2021/22 budget assumptions for AManC approval, which informed the development of the 2021/22 Ahpra budget.

2020/21 internal audits and assurance reports

FARMC requested and reviewed an assurance heat map to inform the internal audit strategy. The heat map linked Ahpra strategic risks, enterprise risks and internal audit projects over a three-year forward program to ensure adequate coverage in the audit program and to inform the *National Quality Assurance Team (NQAT) work plan*.

The following audits and independent assurance reports were presented to FARMC during 2020/21.

Financial year 2020 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 review assessed the process for assigning revised due dates and progress on FARMC reporting. The audit identified a low risk rated issue on timeliness of completion of actions. It was agreed that more specific and realistic management action timeframes will be developed ongoing ensure the timely implementation of management actions.

Progress reports on the delivery of management actions in relation to previous internal audits were prepared by management and considered by FARMC on a quarterly basis.

Organisational response to COVID-19

This internal audit was completed in two phases and assessed the adequacy and appropriateness of the governance arrangements to oversee Ahpra's COVID-19 response recovery and transformation phases, performed a gap analysis of business impact assessment activity and the critical tasks analysis, and identified high-risk business activities. Further, it performed an analysis of high-risk business activities focusing on Ahpra's response to mitigate and manage risk, the temporary and permanent controls in place, and any gaps in Ahpra's planned response.

The internal audit identified four low-rated issues and provided recommendations for improvement. These included improvements to documentation for governance arrangements, consistency and scope of business continuity assessments, improvements to the sub-register project in relation to risk management and project timelines, and improvements to contract management practices for outsourced arrangements.

Digital House closure report

With the Digital House program ending at June 2020, FARMC considered a report that examined the post implementation review and closure. It was noted that backlog items were prioritised and included in the architectural and design considerations of the new Transformation Program.

Pulse Program closure

An independent review on the closure of the Pulse (Unit 4 ERP) project was undertaken, and a report was provided on the transition of the work to the business as usual IT systems support team. It was reported that the team is able to maintain the system capability on a business as usual basis, however additional funding would be required for major upgrades and enhancements.

Assurance of Ahpra's cost allocation model 2022

Health costing experts were engaged to review Ahpra's new cost allocation 2022 to ensure the method and model achieved the objectives agreed by the Review of Equity and Cost Allocation committee. The budget and fees impact of the transition is material and therefore this assurance is critical to support stakeholder communications.

The assurance provider attended the February 2021 meeting to present an opinion and respond to FARMC questions, following which FARMC recommended Ahpra's cost allocation model 2022 to AManC.

Financial management compliance

This internal audit considered Ahpra's internal controls system surrounding seven key financial processes. Importantly, the audit found Ahpra's financial management processes and controls had not been significantly impacted by the challenges brought about by COVID-19.

The audit identified a need to re-assess staff roles and responsibilities following a restructure and provide greater clarity for staff within policies and procedures for several financial functions. Additional recommendations were made for monitoring and training about the gifts, benefits and hospitality declaration process and to clarify the policy.

Cyber security

This internal audit assessed the adequacy and completeness of Ahpra's Cyber Security strategy, roadmap and supporting frameworks to manage key cyber security risks and assessed the approach to developing this strategy. It also performed internal cyber control assessments for a selection of key assets.

The internal audit noted that significant work had been undertaken to develop the current strategy and roadmap to address risks and uplift the cyber security control environment and that the approach demonstrated a robust and repeatable process aligned with Ahpra's broader IT and enterprise strategies.

Ahpra staff health, wellbeing and support – vicarious trauma

This internal audit assessed the adequacy and effectiveness of Ahpra's approach to managing risk of vicarious trauma across high risk roles within the Regulatory Operations directorate, focusing on Ahpra's Wellbeing and Support program (WBSP).

It noted that phase one of the WBSP had been well-received and embedded into ways of working, and that the program had heightened awareness around vicarious trauma and the effect on overall wellbeing. It identified a need for the WBSP project team to adopt project management practices to improve governance and consultation as well as a need to establish data analysis and reporting processes to assess the implementation of the program. It further identified an opportunity to expand the program to other areas within Ahpra.

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	Further work to be completed
Delegations manual	Approved by AManC 17 November 2020
Procurement policy	Approved by AManC 17 November 2020
Information security policies	Further work to be completed
Managing liabilities and contingent assets and liabilities policy	Endorsed by FARMC to go to AManC, approved in 2021/22 financial year
Aboriginal and Torres Strait Islander Health Practice Board of Australia funding arrangements policy	Further work to be completed in conjunction with the Aboriginal and Torres Strait Islander Health Practice Board of Australia and Forum of NRAS Chairs
Fraud and corruption control framework	Noted by FARMC

Risk management

Internal control and risk management

FARMC 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 the implementation of remedial actions.

Quarterly extracts were provided from the Corporate assurance plan for strategic risks or for any other material changes to the plan. The reports included the status of mitigating actions. Periodically, the FARMC reviewed significant operational risks at the directorate level which included the opportunity to discuss the level of risk with the relevant executive director.

In August 2020, FARMC noted Ahpra's COVID-19 risk assessment and preparedness, including the establishment of governance arrangements to mitigate risk and ensure business continuity.

National Quality Assurance Team (NQAT)

FARMC received the NQAT annual report for 2019/20 and each quarter noted progress updates on the quality assurance work plan for 2020/21.

Critical incident management

There were no critical incidents reported in 2020/21, however there was continued management of the business continuity response to the COVID-19 pandemic and the development of a recovery program to resume normal business operations.

Serious incidents

Serious incidents are managed through the *Critical incident management framework* and a register of serious incidents is maintained. FARMC reviewed the status of serious incidents quarterly and had several questions on notice to management in respect to trends and categories of events. FARMC will consider a revised incident management framework in 2021/22.

Insurance

The National Scheme's risk mitigation strategy includes the appropriate and proportional placement of insurances. Throughout the financial year, FARMC monitored insurance notifications and claims, and the insurance portfolio was reviewed and successfully renewed for the 12 months to June 2021.

FARMC reviewed the terms of professional indemnity and the directors and office bearers' (D&O) policies and considered independent legal advice, resulting in changes to the wording of the D&O policy to ensure the adequacy of its coverage.

Project governance

FARMC noted the improved project governance arrangements put in place early in the financial year with the establishment of the Ahpra Portfolio Management Board and Project Management Office. At each meeting FARMC received reports on the status of Ahpra strategic projects, including the Transformation Program.

Gifts, benefits and hospitality

FARMC reviewed the *Annual report of gifts, benefits and hospitality 2019/20* at its November 2020 meeting and were provided additional information about report outliers at its February 2021 meeting. FARMC will consider revisions to the Gifts, Benefits and Hospitality policy in 2021/22 as part of Ahpra's response to the Financial management compliance internal audit.

Fraud and corruption

FARMC reviewed the *Fraud and corruption control annual report 2019/20* at its November 2020 meeting and noted four fraud incidents for which no material losses were incurred.

A report on the *Fraud and corruption framework* was provided in November 2020 and the revised *Fraud and corruption framework* was noted at the June 2021 FARMC meeting.

Public interest disclosures

Ahpra's *Public interest disclosure (whistleblower) 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 *Ahpra annual report 2020/21*.

Health safety and wellbeing

FARMC was provided quarterly updates of key health, safety and wellbeing (HSW) metrics, lead and lag indicators and were kept informed of emerging issues.

During the final quarter, it was agreed that the *People and Remuneration Committee* (PARC) would take a more active role in reviewing HSW reporting and that, through meetings of the Chairs of FARMC and PARC, emerging risks and audit requirements would be communicated.

Ahpra formally identified, trained, and appointed its legislative duty holders, including AManC members, who underwent due diligence training during the final quarter of the year. Governance and consultation mechanisms were also strengthened through the creation of the National Health, Safety and Wellbeing Committee.

FARMC noted that in response to COVID-19, a *Working from home policy* was implemented and systems improvement and tools were launched which allow employees to measure, correct and demonstrate the safety of their remote working locations.

Procurement

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

FARMC noted and recommended AManC approve several contracts and supply panels that exceeded the CEO financial delegation.