



Medical Research Future Fund – Outcomes of Performance Audit by the Australian National Audit Office (ANAO)

On 4 November 2020, the Australian National Audit Office (ANAO) confirmed its intention to perform an audit of the administration of the Medical Research Future Fund (MRFF).

The audit concluded in August 2021. This document describes in detail the outcomes of the audit and the Department of Health's proposed actions in response to its recommendations and findings.

Why did the ANAO perform the audit?

The Australian Government has committed to spend \$5.1 billion over 10 years on grants of financial assistance to support medical research and medical innovation through the MRFF.

The audit aims to provide assurance to the Australian Parliament and public as to how MRFF legislation and governance has guided MRFF grants for medical research and medical innovation.

What was the objective of the audit?

The objective of the audit was to assess whether the Department of Health (the Department) is effectively managing the MRFF.

To form a conclusion against the objective, the ANAO examined the following three criteria:

- Are the MRFF governance arrangements effective?
- Are MRFF grants consistent with the requirements of relevant legislation and policy, including the MRFF Act?
- Has Health effectively reported on the performance of the MRFF and evaluated the effectiveness of MRFF financial assistance?

To do this, the ANAO:

- examined the Department's MRFF records
- assessed compliance with MRFF legislation
- mapped changes to the MRFF Priorities over time and their alignment with the MRFF Strategy and grant opportunities
- reviewed a sample of MRFF grants
- consulted with MRFF partner entities (the Department of Industry, Science, Energy and Resources; the National Health and Medical Research Council (NHMRC); Cancer Australia) and other stakeholders (the Department of Finance and Australian Medical Research Advisory Board (AMRAB) members)
- interviewed relevant Department of Health staff

- considered submissions to the ANAO, including submissions from industry bodies, universities, research institutes, advocacy groups and individual researchers.

What did the audit conclude?

The audit* made the following conclusions:

- The Department of Health's management of financial assistance under the MRFF is largely effective.
- The Department of Health's governance arrangements for the management of the MRFF are largely effective.
 - Clear governance roles, responsibilities and coordinating structures have been established.
 - The Department of Health has implemented largely effective arrangements with its implementation partners to administer the MRFF.
 - The Department of Health has effectively supported consultations by the Australian Medical Research Advisory Board (AMRAB) and expert advisory panels, but it has not actively consulted with state and territory governments on the implementation of the program.
 - The identification and documentation of the management of issues and risks could be improved.
- The Department of Health's management of grants of financial assistance to support medical research and medical innovation is largely consistent with the *MRFF Act 2015* and the *Commonwealth Grant Rules and Guidelines 2017 (CGRGs)*.
 - There is no evidence of how the design of the MRFF 10-Year Plan was influenced by the Australian Medical Research and Innovation Strategy (MRFF Strategy) and Australian Medical Research and Innovation Priorities (MRFF Priorities).
 - The Department of Health has suitable arrangements in place to provide assurance that grant applications are assessed on their merit and represent value for money.
- The Department of Health does not have adequate performance measures for the MRFF and has not effectively measured and reported on the performance of MRFF financial assistance in its annual performance statements.
 - Health published a monitoring and evaluation strategy in November 2020, with most of the activities yet to occur. It has also made a number of improvements to the operation of the program.

* the text in this section is an extract from the ANAO report.

What are the recommendations of the audit?

The Auditor-General made three recommendations to the Department. They are:

1. Department of Health to identify, assess and manage risks at the theme or initiative level of the 10-Year Plan.
2. Department of Health report grants in the same way that grant opportunities are classified in the grant opportunity guidelines and reported on GrantConnect.
3. Department of Health develop adequate performance measures for the MRFF for inclusion in its portfolio budget statements and annual performance statements.

The Department of Health accepted all three recommendations.

What is the Department doing in response to the recommendations?

In response to the first recommendation, the Department is updating its risk management processes to ensure appropriate identification, assessment and management of risks at the sub-program level. This will complement current processes already in place to monitor risks at the program level.

In response to the second recommendation, the Department is reviewing public reporting of MRFF grants to align with how grant opportunities are classified in the grant opportunity guidelines and reported on GrantConnect.

In response to the third recommendation, the Department is developing a methodology to enable more effective MRFF reporting to Parliament in the portfolio budget statements and annual performance statements on the performance of MRFF financial assistance, with the intent to enable an assessment of the program's performance for each financial year and consideration of outcomes and impact achieved.

What else did the audit find?

In addition to the three recommendations, the audit made a number of other findings. These are summarised below, along with a description of how the Department is addressing each finding.

Coordination with the National Health and Medical Research Council

The audit found that Health has not formalised arrangements with NHMRC for coherent and consistent coordination of MRFF funding and NHMRC programs.

In response, the Department will consult with NHMRC and consider updating its memorandum of understanding with NHMRC to reflect new mechanisms to coordinate research funding activities, including shared understanding of future research priorities.

Identification, Assessment and Management of Risk

The audit found that it is not always clear that issues and identified risks are being effectively managed. In addition, it found that Health has not consistently updated the registers of AMRAB and expert advisory panel members' declarations of interest and has not made information on conflicts available to the public for transparency.

In response, the Department will:

- update its risk monitoring processes to include mechanisms to track and control updates to the MRFF risk register, document responsibility for the register and document when it was endorsed by relevant governance bodies
- update the risk register with an explanation of considerations given to classifying risk
- develop and implement an issues register for the MRFF
- review the *MRFF Declaration of Interest Policy Statement and Guidelines* for members of AMRAB and expert advisory panels to include reference to the *MRFF Act*
- publish information on the conflicts that have been declared by AMRAB and EAP members and how they have been handled.

What else does the report say?

The report acknowledges that Health focuses on gaps in existing investments, research gaps, and areas of unmet need, and considers potential capacity within the sector when establishing the objectives and scope of MRFF grant opportunities.

The Department acknowledges concerns from the sector outlined in the report regarding MRFF grant opportunities and is actively considering strategies to communicate prospective MRFF funding priorities regularly and broadly.

The Department also acknowledges the sector's preference, as outlined in the report, for grants to be spread more evenly throughout the year and for longer periods to prepare applications. The Department continually reviews and takes into account a range of considerations impacting the sector when scheduling grant opportunities, including limiting overlap with traditional conference periods, school holidays, Christmas/New Year break and key funding periods of counterpart agencies (ARC and NHMRC).

The Department endeavours to provide applicants with as much time as possible to plan and prepare applications, while balancing the sector's desire for expedient funding processes and financial year timeframes. The Department will continue working with stakeholders to optimise the timing of its funding rounds, noting that responses to emerging health issues may necessitate shorter timeframes.

Some submissions received by the ANAO expressed dissatisfaction with the level of feedback provided to unsuccessful applicants and a desire for constructive feedback that would assist with future grant applications. The Department will work with NHMRC and BGH on options for standardised feedback that could be provided to successful and unsuccessful applicants.

The Department is grateful for ANAO's acknowledgement of its efforts to continually improve operation of the program, and engage and consult with the sector to foster greater coordination across government, increased transparency of funding decisions, and increased efficiency of grant design and delivery strategies.