

# RISK TOLERANCE 2021-22



## Message from the CEO

Mr Shannon White

Engaging with risk is necessary to support the obligations and responsibilities of the Administrator of the National Health Funding Pool and to provide best practice administration of public hospital funding in Australia.

As the Accountable Officer under the Public Governance, Performance and Accountability Act 2013 (PGPA Act), it is my responsibility to establish and maintain appropriate systems of risk oversight and management, including setting the Agency's appetite for risk against each of our Strategic Objectives.

Improving our risk maturity, culture and capability has helped us to further embed risk practices in our day to day business, pursue new opportunities and support innovation. This has enabled us to be more responsive to unforeseen circumstances, as demonstrated by our resilience during the global pandemic and our contribution to Australia's COVID-19 response.

In 2021-22, we celebrate the second anniversary of the implementation of the Payments System. This is a perfect example of effective risk-based decision making, through embracing risk and pursuing innovation, to achieve our strategic objectives.

This statement allows our organisation to focus on key objectives, comply with legal and policy obligations, effectively manage resources and improve transparent and accountable decision making.

As a small Agency, it's our individual behaviour that influences the 'way we do risk around here'. As valued members of the NHFB team I encourage you to continue engaging with, and adopting risk-based decision making to achieve best practice, fit-for-purpose approaches across the Agency.

## Our approach to risk

Articulating our risk tolerance helps to set the boundaries of how much risk we are prepared to accept. For example, we have a greater appetite for risk where it results in benefits, opportunities and/or innovation for the Agency. However, risk taking is not accepted where it could lead to negative impacts on our people or the delivery of organisational objectives.

Knowing these boundaries empowers all of us to confidently make risk-aware decisions in the workplace, while our risk culture enables us to engage with risk in pursuit of continuous improvement and better solutions.

## Our Risk Tolerance

Our risk tolerance levels across our five key objectives are highlighted below. These levels are based on the supporting business function, the potential cost and/or the benefit of engaging with risk to improve our decision-making ability.

<b>Calculations</b>	<b>Low Tolerance</b>
 <ul style="list-style-type: none"> <li>Timely advice</li> <li>Accurate calculation</li> <li>Reconcile activity</li> <li>Funding integrity</li> </ul>	<ol style="list-style-type: none"> <li><b>1. Error(s) or delay in the calculation of payments</b> We have a <b>LOW</b> tolerance for incorrect calculations due to poor governance, processes and delivery</li> <li><b>2. Error(s) or delay in the reconciliation of payments</b> We have a <b>LOW</b> tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact on public hospital funding</li> </ol>
<b>Payments</b>	<b>Low Tolerance</b>
 <ul style="list-style-type: none"> <li>Timely payments to LHNs</li> <li>Payments System</li> <li>Funding Pool Financial Statements</li> </ul>	<ol style="list-style-type: none"> <li><b>3. Error(s) or delay in payments</b> We have a <b>LOW</b> tolerance for poor governance, processes and illegal activity</li> <li><b>4. A modified audit opinion is given on the Administrator's Financial Statements</b> We have a <b>LOW</b> tolerance for risks that impact transparency due to failures to meet our reporting requirements</li> </ol>
<b>Reporting</b>	<b>Low Tolerance</b>
 <ul style="list-style-type: none"> <li>Accurate information</li> <li>Funding reports</li> <li>Compliance reports</li> <li>Data security</li> </ul>	<ol style="list-style-type: none"> <li><b>5. Error(s) or delay in the reporting of public hospital funding, payments and services</b> Whilst dependent on stakeholders to complete accurate and timely end of month processing, we have a <b>LOW</b> tolerance for failure to meet our reporting requirements</li> <li><b>6. Inappropriate or unauthorised data release</b> We have a <b>LOW</b> tolerance for risks that impact the management and security of data</li> </ol>
<b>Stakeholders</b>	<b>Medium Tolerance</b>
 <ul style="list-style-type: none"> <li>Impartial advice</li> <li>Engagement</li> </ul>	<ol style="list-style-type: none"> <li><b>7. Unproductive stakeholder relationships</b> We have a <b>MEDIUM</b> tolerance for risk when developing and sustaining approaches to stakeholder relationships whilst maintaining the integrity of the Administrator and the NHFB</li> </ol>
<b>Organisation</b>	<b>Medium Tolerance</b>
 <ul style="list-style-type: none"> <li>Positive culture</li> <li>Innovation</li> <li>Good governance</li> <li>Funding Body Financial Statements</li> </ul>	<ol style="list-style-type: none"> <li><b>8. Poor workplace culture</b> We have a <b>MEDIUM</b> tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve outcomes</li> <li><b>9. Inability to adapt and innovate</b> We have a <b>MEDIUM</b> tolerance to adapt or explore best practice approaches that promote innovation</li> <li><b>10. Impacts on the health, safety and wellbeing of staff</b> We have a <b>LOW</b> tolerance for a working environment that adversely impacts the health, safety and wellbeing of staff</li> <li><b>11. Fraudulent activity</b> We have a <b>LOW</b> tolerance for poor governance or defective processes that lead to illegal activity</li> </ol>