

# Risk Tolerance 2020-21



## Message from the CEO

Mr Shannon White

Effective engagement with risk is necessary to support the obligations and responsibilities of the Administrator of the National Health Funding Pool 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 our risk tolerance.

Understanding our role in managing risk in our work will ensure we are successful. Our continuing growth in risk maturity has helped us further embrace sound risk practices across our business processes, support innovation within the organisation and enhance our understanding of risk tolerance as part of our workplace culture.

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 valued members of the NHFB team I encourage you to keep engaging with and adopting mindful practices that have helped us achieve better risk-based decision making in the workplace.

## Innovative engagement

Our organisational culture supports innovation and creativity by providing an environment where risk-aware decision-making is encouraged. Early and open conversations about risk tolerance are the most important element when assessing our risks and opportunities.

With our objectives clearly defined, we are fully aware of the level of risk tolerance we are prepared to accept to ensure we achieve all objectives, while assessing how we can capitalise on opportunities that might arise.

## Our Risk Tolerance

We have assessed our level of risk tolerance that we are willing to accept or retain against our objectives. Our risk tolerance levels highlighted below 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>