

Risk Tolerance 2019–20



Message from the CEO

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

Our growing risk maturity helps us embed risk management within our business and supports innovation. This statement allows our organisation to set objectives, comply with legal and policy obligations, allocate and utilise resources, and improve transparent and accountable decision making.

By engaging people early, we manage our risks and opportunities effectively. As valued members of the NHFB team I encourage you all to engage with and adopt mindful practices so that together, we can achieve better risk-based decision making in the workplace.

Mr Shannon White, CEO

Engagement is key

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 can confidently determine how much risk tolerance we are prepared to accept and make informed decisions that achieve the right balance between meeting our objectives and exploring opportunities.

Our Risk Tolerance

We have assessed our level of risk tolerance that we are willing to accept or retain against each of our five objectives. These tolerance levels highlighted below are based on the supporting business function and, the potential cost and/or the benefit of engaging with risk to improve our decision-making ability.

<p>Calculations</p>  <ul style="list-style-type: none"> + Timely advice + Accurate calculation + Reconcile activity + Funding integrity 	<p>Low Tolerance</p> <p>An error in the calculation of payments results in inaccurate advice to the Commonwealth Treasurer</p> <p>We have a LOW tolerance for incorrect calculations resulting from internal failures due to poor governance, processes and delivery</p> <p>Delay or errors in reconciliation of payments made to jurisdictions</p> <p>We have a LOW tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact funding to Local Hospital Networks (LHNs)</p>
<p>Payments</p>  <ul style="list-style-type: none"> + Payments to LHNs + Payments System + Funding Pool Financial Statements 	<p>Low Tolerance</p> <p>Delay or errors in payments to jurisdiction(s) due to system or process failure</p> <p>Given the scale of the funds paid through the Funding Pool, we have a LOW tolerance for internal failures resulting from poor governance, processes and delivery, or illegal activity</p> <p>A modified audit opinion is given on the Administrator's Financial Statements</p> <p>We have a LOW tolerance for risks that impact transparency due to failures to meet our compliance reporting requirements</p>
<p>Reporting</p>  <ul style="list-style-type: none"> + Information provided + Funding reports + Compliance reports 	<p>Low Tolerance</p> <p>Reporting of public hospital funding and/or activity is delayed or inaccurate</p> <p>We have a LOW tolerance for failure to meet our reporting requirements resulting from poor governance and engagement with stakeholders</p> <p>Inappropriate data release results in loss of confidence in the Administrator and the NHFB</p> <p>We have a LOW tolerance for internal failures that impact the management and security of data in accordance with relevant legislative requirements</p>
<p>Stakeholders</p>  <ul style="list-style-type: none"> + Impartial advice + Engagement 	<p>Medium Tolerance</p> <p>Strategic and operational goals are unmet due to unproductive relationships</p> <p>We have a MEDIUM tolerance for risk when developing stakeholder relationships that advance strategic and operational goals whilst maintaining the integrity of the Administrator and the NHFB</p>
<p>Organisation</p>  <ul style="list-style-type: none"> + Positive culture + Innovation + Good governance + Funding Body Financial Statements 	<p>Medium Tolerance</p> <p>Poor workplace culture impacts planned outcomes due to a lack of engagement or loss of high-performing staff</p> <p>We have a MEDIUM tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve our outcomes</p> <p>Outcomes are not achieved due to the inability to adapt and innovate</p> <p>We have a MEDIUM tolerance to explore best practice approaches that allow for innovation in policies, procedures and technology</p> <p>Inadequate WHS policies and procedures result in impacts on the health, safety and wellbeing of staff</p> <p>We have a LOW tolerance for activities and environments that adversely impact the health, safety and wellbeing of staff</p> <p>Fraudulent activity impacts the agency's integrity</p> <p>We have a LOW tolerance for internal failures that are the result of poor governance or illegal activity</p>