

Risk Tolerance Statement 2018–2019

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.

Communicating what is acceptable engagement with risk is the first step in embedding risk tolerance in our workplace culture. 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.

A culture where we all understand our role in managing risk in our work will ensure we are successful. 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

A risk aware culture supports innovation and creativity by providing an environment where risk-based decision-making is encouraged. Early and open conversations about risk tolerance are the most important element of the risk assessment process.

When assessing how much risk can be tolerated, employees should consider:

- + Which NHFB objective will be impacted?
- + If there are alternative options that could result in a better outcome?
- + What evidence is needed to support your decision?
- + How the risks of all options can be managed effectively?
- + Have key stakeholders been consulted?

Our Risk Tolerance

Our attitude toward risk taking is outlined in our risk tolerance statement which illustrates the amount of risk that we are willing to accept or retain to achieve our objectives.

We have assessed our level of risk tolerance against each of the five themes required to meet our objectives. These 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.

<p>Calculations</p>  <ul style="list-style-type: none"> + Accurate Calculation + Reconcile activity + Funding integrity + Timely advice 	<p>Lowest Tolerance</p> <p>An error in the calculation of payments results in inaccurate advice to the Commonwealth Treasurer</p> <p>We have the LOWEST 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 the LOWEST 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"> + Payment System + Payments to LHNs + Funding Pool Financial Statements 	<p>Lowest 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 the LOWEST 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 VERY 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"> + Funding Reports + Activity Reports + Information provided 	<p>Medium Tolerance</p> <p>Reporting of public hospital funding and/or activity is delayed or inaccurate</p> <p>Our dependency on stakeholders to provide accurate and timely data means that we have a MEDIUM tolerance for failure to meet our reporting requirements</p> <p>Inappropriate data release results in loss of confidence in the Administrator and the NHFB</p> <p>We have the LOWEST 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"> + Engagement & collaboration + Provision of advice 	<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 & productive culture + Good Governance + Policies & procedures + NHFB Financial Statements 	<p>Low Tolerance</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 and procedures</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 LOW tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve outcomes</p> <p>Inadequate WH&S policies and procedures result in impacts on the health, safety and wellbeing of staff</p> <p>We have the LOWEST 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 the LOWEST tolerance for internal failures that are the result of poor governance or illegal activity</p>