



Risk Management Policy

Procedure Number

CHC-PG-0023

Version Nos:

2

1. Policy Statement

The West Coast District Health Board (WCDHB) will maintain a process that will provide it with a systematic view of the risks it faces in the course of its activities. Where appropriate, this process will be consistent with the Australian/New Zealand Standard AS/NZS 4360.

2. Purpose

This Policy establishes the process for the management of risks faced by the WCDHB. The aim is not to eliminate risk but rather to manage the risks involved in all WCDHB activities to maximise opportunities and minimise adversity. This required:

- a strategic focus;
- forward thinking and active approaches to management;
- balance between the cost of managing risk and the anticipated benefits;
- contingency planning in the event that critical risks are realised.

This Policy explains the WCDHB's underlying approach to risk management and documents the roles and responsibilities of key parties. It also outlines the key aspects of the risk management process, and identifies the main reporting requirements.

3. Application

This Policy applies to all WCDHB activities, Board members and employees.

4. Responsibilities

For the purpose of this Policy:

The **Board of the WCDHB** is required to oversee risk management within the WCDHB as a whole;

The **Chief Executive Officer** is required to ensure that a risk management system is established, implemented and maintained in accordance with this Policy;

The **Audit Sub-Committee** is required to be accountable for the oversight of the processes for the identification and assessment of risk, reviewing the outcomes of risk management processes and for advising the Board as necessary;

The **Executive Management Team** is required to be accountable for operational risk management within their areas of responsibility, including the devolution of risk management to line managers;

All **Staff Members** are responsible for the effective management of risk.

5. Definitions

For the purpose of this Policy

Risk is taken to mean the chance that an event will occur that will impact on the WCDHB's objectives. It is measured in terms of consequence and likelihood.

Risk Assessment is taken to mean the process used to determine risk management priorities by evaluating and comparing the level or risk against predetermined acceptable levels of risk.

Risk Management is taken to mean the systematic application of a management system (Policies, Procedures and Guidelines) to the task of identifying, analysing, treating and monitoring risk.



Risk Management Policy

Procedure Number

CHC-PG-0023

Version Nos:

2

6. Process

1.00 Introduction

- 1.01 This Policy forms part of the WCDHB's internal control and governance arrangements.
- 1.02 The following key principles outline the WCDHB's approach to risk management:
- i) The Board has responsibility for overseeing risk management within the WCDHB as a whole;
 - ii) An open and receptive approach to solving risk problems;
 - iii) The Chief Executive Officer (CEO) and Executive Management Team (EMT) are to support, advise and implement Policies, Procedures and Guidelines approved by the Board;
 - iv) The conservative and prudent recognition and disclosure of financial and non-financial risk;
 - v) The encouragement of good risk management practices amongst staff members by their relevant Managers;
 - vi) The identification and close monitoring of key risk indicators on a regular basis.

2.00 Role Of The Board

- 2.01 The Board of the WCDHB has a fundamental role to play in the management of risk. Its role is to:
- i) Set the tone and influence the culture of risk management within the WCDHB. This includes:
 - a) determining whether the WCDHB is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
 - b) determining what types of risk are acceptable and which are not
 - c) setting the standards and expectations of staff with respect to conduct and probity.
 - ii) Determine the appropriate level of exposure for the WCDHB;
 - iii) Approve major decisions affecting the WCDHB's risk profile or exposure;
 - iv) Monitor the management of significant risks to reduce the likelihood of adverse outcomes;
 - v) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;
 - vi) Annually review the WCDHB's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

3.00 Role Of Senior Management

- 3.01 The key roles of senior management (led by the CEO) are to:
- i) Implement policies on risk management and internal control.
 - ii) Identify and evaluate the significant risks faced by the WCDHB for consideration by the Board;
 - iii) Provide adequate information in a timely manner to the Board and its committees/sub committees on the status of risks and controls;



Risk Management Policy

Procedure Number

CHC-PG-0023

Version Nos:

2

- iv) Undertake an annual review of effectiveness of the system of internal controls and provide a report to Board.

4.00 Role of Audit Sub-Committee

- 4.01 The Audit Sub-Committee's key role is to provide an independent opinion on the adequacy of risk management by:
- i) Commenting on proposals for implementation of risk management and expressing an opinion on their overall adequacy;
 - ii) Receiving reports from the Internal Auditor concerning the effectiveness of controls;
 - iii) To comment annually on the effectiveness of risk management activity in the WCDHB on the basis of audit reports received.

5.00 Risk Assessment

- 5.01 The WCDHB will undertake assessment of risks throughout the organisation, using a standard methodology that is consistent with the Australian/New Zealand Standard AS/NZS 4360. This standard methodology is to include:
- i) establishment of a context for the assessment to occur in
 - ii) identification of the risks;
 - iii) analysis of the identified risks;
 - iv) evaluation of the identified risks;
 - v) treatment of the identified risks;
 - vi) monitoring and review of the identified risks.
- 5.02 This standard methodology will be applied in Service/Department/unit and organisational-wide assessments.
- 5.03 This standard methodology assesses the consequences and likelihood of each risk.
- 5.04 The objective of each risk assessment is to establish a prioritised list of risks for further analysis.
- 5.05 Risk assessments are to be undertaken using the WCDHB Risk Assessment Form.

6.00 Risk Management As Part Of The System Of Internal Control

- 6.01 The system of internal controls established by the WCDHB is to incorporate risk management. This system will encompass a number of elements that together facilitate an effective and efficient operation, enabling the WCDHB to respond to a variety of operational, financial, and commercial risks. These elements include:
- i) ***Policies and Procedures.***
Policies and procedures underpin the WCDHB's internal control process. The Policies and Procedures are set by the Board and implemented and communicated by the WCDHB's management to staff.
 - ii) ***Timely and Regular Reporting.***



Risk Management Policy

Procedure Number

CHC-PG-0023

Version Nos:

2

Comprehensive and timely reporting is designed to monitor significant risks and their controls. Decisions to rectify problems are made at regular meetings throughout the organisation.

iii) *Planning and Budgeting.*

The planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting District Annual and Strategic plan objectives will be monitored regularly.

iv) *High Level Risk Register (Significant Risks Only).*

This Risk Register is compiled by the EMT and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the WCDHB. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

v) *Audit Sub-Committee.*

The Audit Sub-Committee is required to report to the Board on internal controls and alert Members to any emerging issues. In addition, the Sub-Committee oversees internal audit, external audit and management as required in its review of internal controls. The committee is therefore well placed to provide advice to Board on the effectiveness of the internal control system, including the WCDHB's system for the management of risk.

vi) *Internal audit programme.*

Internal audit is an important element of the internal control process. As part of its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation. Internal Audit will also perform additional reviews focused toward review of the controls in place to manage the significant risks identified in the High Level Risk Framework. The results of these reviews will be reported to the EMT, to assist them in forming opinions on the adequacy of management of key risks.

vii) *External audit.*

External audit provides feedback to the Audit Sub-Committee on the operation of the internal financial controls reviewed as part of the annual audit.

viii) *Third party reports.*

From time to time, the use of external consultants will be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

7.00 Annual Review Of Effectiveness

7.01 The Board is responsible for evaluating the effectiveness of internal control of the WCDHB, based on information provided by the EMT.

7.02 For each significant risk identified, the Board will:



Risk Management Policy

Procedure Number

CHC-PG-0023

Version Nos:

2

- i) review the previous year and examine the WCDHB's track record on risk management and internal control; and
 - ii) consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.
- 7.03 In making its decision the Board will consider the following aspects:
- i) ***Control Environment:***
The WCDHB's objectives and its financial and non-financial targets organisational structure and adequacy of the WCDHB's management oversight culture, approach, and resources with respect to the management of risk, delegation of authority and public reporting.
 - ii) ***On-Going Identification And Evaluation Of Significant Risks:***
 - a) timely identification and assessment of significant risks;
 - b) prioritisation of risks and the allocation of resources to address areas of high exposure.
 - iii) ***Information And Communication:***
 - a) quality and timeliness of information on significant risks
 - b) time it takes for control breakdowns to be recognised or new risks to be identified.
 - iv) ***Monitoring And Corrective action:***
 - a) ability of the WCDHB to learn from its problems
 - b) commitment and speed with which corrective actions are implemented.
- 7.04 The EMT will prepare a report of its review of the effectiveness of the internal control system annually for consideration by Audit Sub-Committee, prior to reporting to Board

7. Related Procedures

WCDHB Risk Register Procedure

8. Related Documents

WCDHB Risk Register

WCDHB Risk Assessment Form

9. References

Australian/New Zealand Standard AS/NZS 4360.

Revision History	Version:	2
	Developed By:	Risk and Quality Manager
	Authorised By:	Chief Executive Officer
	Date Authorised:	October 2003

	Risk Management Policy	Procedure Number <i>CHC-PG-0023</i>	Version Nos: 2
---	-------------------------------	---	---------------------------------

	Date Last Reviewed:	January 2007
	Date Of Next Review:	January 2009

This Page Is Deliberately Blank