Government of Western Australia
Department of Health

Policy Frameworks
MP 0006/16
Effective from: 1 October 2019

Risk Management Policy

1. Purpose

This Risk Management Policy establishes the minimum standards to be implemented by Health Service Providers in order to effectively manage risk at all organisational levels.

An organisation's risk management practices are a critical component of good governance and fundamental to support the achievement of objectives. Risk management should be built into all operational processes and underpin decision making.

Failure to recognise and manage risk can have widespread implications not only for an organisation but for its consumers, employees and the wider community.[1]

The System Manager is committed to ensuring that robust governance structures and processes are in place to promote effective Health Service Provider risk management practices.

In the Western Australian Public Sector context, the following legislation and policy requirements underpin risk management:

- *Financial Management Act 2006* s. 53 (1) (b)
- *Treasurer's Instruction 825 (Risk Management and Security)*
- *Public Sector Commissioner's Circular: 2015-03 (Risk Management and Business Continuity)*

This Policy is a mandatory requirement under the Risk, Compliance and Audit Policy Framework pursuant to section 26(2)(l) of the *Health Services Act 2016*.

2. Applicability

This Policy is applicable to all Health Service Providers.

3. Policy requirements

Health Service Providers are responsible for ensuring that risks to their organisation are identified and managed effectively and in accordance with the requirements of this Policy.

[1] ASX Corporate Governance Council, (2014). "Corporate Governance Principles and Recommendations." 3rd Edition. Available at: https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf

3.1 Risk governance

Health Service Provider governing bodies must ensure that:

- A local risk management policy, framework and any other supporting documentation, aligned with AS ISO 31000:2018, is developed and includes:
    - defined processes to identify, assess, treat, monitor, review, record and report risks[2]
    - risk review frequency requirements
    - specified roles and responsibilities for each party involved in risk management
    - oversight requirements for the governing body and/or dedicated risk and audit sub-committee (or equivalent).
- Risk ownership and acceptance decisions for risks at each risk level are specified in the local policy, framework and/or in Health Service Provider authorisations and delegations schedule
- Risk identification and continuous monitoring of the risk profile occurs on an ongoing basis[3]
- Risk management requirements are formally communicated to staff across their organisation
- There are processes in place to build staff awareness and risk understanding through education and training.

3.2 Risk appetite statement

Work is currently underway to develop a System Risk Appetite Statement for the WA health system. Once published, Health Service Provider governing bodies must align any organisational risk appetite to be consistent with the intent of the System Risk Appetite Statement(s).

3.3 Risk Assessment Tables for the WA Health System

Health Service Providers are required to use the current version of the Risk Assessment Tables for the WA Health System (as appended to this Mandatory Policy).

3.4 Enterprise Risk Management System

It is recommended that Health Service Providers use the Enterprise Risk Management System (ERMS) to record risks and risk management activities.

The ERMS supports the integration of risk management into decision making and enables effective monitoring, review and reporting.

Where Health Service Providers elect to use the ERMS, the Enterprise Risk Management System Mandatory Business Rules published by the Department of Health System Governance and Assurance unit must be adopted and complied with. The Enterprise Risk

[2] Standards Australia. (2018). "Risk management: Principles and guidelines (AS ISO 31000:2018)" [Online]. Available: https://www-saiglobal-com.eplibresources.health.wa.gov.au/online/

[3] Governance Institute of Australia (2014). "Good Governance Guide: Risk Management Policy.

Management System Non-mandatory Guidelines should be considered in the Health Service Provider policy documents as best practice guidance.

3.5 Contribution to System Risk Management

System Risk Management is coordinated activities across all or part of the WA health system undertaken to establish, monitor and improve the control environment, in order to support the achievement of objectives.

Health Service Providers are expected to contribute to System Risk Management practices. For Health Service Providers electing to use the ERMS module, appropriate staff members must be nominated to participate in the Business User Group and associated ERMS Advisory Group.

4. Compliance monitoring

4.1Health Service Providers

Health Service Providers are responsible for monitoring and ensuring compliance with this Policy.

4.2 System Manager

The System Manager may elect to conduct audits into part or all of the Health Service Provider requirements of this Policy for assurance purposes.

5. Related documents

The following documents are mandatory pursuant to this Policy:

- Risk Assessment Tables for the WA Health System

6. Supporting information

The following information is not mandatory but informs and/or supports the implementation of this Policy:

- Professional Practices Framework of The Institute of Internal Auditors
- Insurance Commission (RiskCover) Risk Management Guidelines
- Enterprise Risk Management System User Manual
- WA Health Clinical Risk Management Guidelines

7. Definitions

The following definition(s) are relevant to this Policy.

Term	Definition
Control	A measure that maintains and/or modifies risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain

Term	Definition
	and/or modify risk. Controls may not always exert the intended or assumed modifying effect.[4]
Enterprise Risk Management System	The risk management system for use by Health Service Providers, the Queen Elizabeth II Medical Centre Trust and the Department of Health.
Risk	Risk is the effect of uncertainty on objectives (either positive or negative).[5]
Risk Appetite	The nature and extent of the risks the governing body is prepared to accept to meet objectives.[6]
Risk Level	The risk level is determined by multiplying the consequence rating by the likelihood rating to achieve a risk level from 1 (Low) to 25 (Extreme).
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.[7]
System Risk Management	Coordinated activities across all or part of the WA health system undertaken to establish, monitor and improve the control environment, in order to support the achievement of objectives.

8. Policy contact

Enquiries relating to this Policy may be directed to:

Title: Manager, System Risk and Assurance

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9. Document control

Version	Published date	Effective from	Review date	Effective to	Amendment(s)
MP0006/16 V1.0	1 July 2016	1 July 2016	1 July 2018	30 September 2019	Original
MP0006/16 V2.0	1 October 2019	1 October 2019	April 2022	Current	Major Amendment detail set out below.
Risk Management Policy • Roles and Responsibilities section removed and replaced with Risk Governance specifying a minimum set of requirements for Health Service Provider governing bodies. • Oversight and review frequency requirements are at the discretion of the Health Service Provider governing bodies. • Risk ownership and acceptance decision delegations are required to be specified in local					

[4]Standards Australia. (2018). "Risk management: Principles and guidelines (AS ISO 31000:2018)" [Online]. Available: https://www-saiglobal-com.eplibresources.health.wa.gov.au/online/

[5] Standards Australia. (2018). "Risk management: Principles and guidelines (AS ISO 31000:2018)" [Online]. Available: https://www-saiglobal-com.eplibresources.health.wa.gov.au/online/

[6] Governance Institute of Australia (2014). "Good Governance Guide: Risk Management Policy.

[7] Standards Australia. (2018). "Risk management: Principles and guidelines (AS ISO 31000:2018)" [Online]. Available: https://www-saiglobal-com.eplibresources.health.wa.gov.au/online/

policy, frameworks and/or in the Health Service Provider authorisations and delegations schedule.

- The Enterprise Risk Management System is recommended for use.
- Health Service Providers are required to contribute to System Risk Management.
- It is acknowledged that work is underway to develop a System Risk Appetite Statement for the WA health system.

Related document – Risk Assessment Tables for the WA Health System

- Title changed from 'WA Health Integrated Corporate and Clinical Risk Analysis Tables and Evaluation Criteria'
- The order of the tables and descriptions of the steps have changed.
- The Risk Consequence and Likelihood tables have changed, however the changes should not require existing risks to be reassessed. The changes include removal of 'ALL SAC1 EVENTS' as a descriptor for the Major and Catastrophic consequence levels for Health Impact on Patient(s), however the content conveying this has been retained.
- A Risk Matrix has been added.
- The Aggregate Control Assessment levels and descriptions have changed from Excellent, Adequate, Inadequate and Unknown to Excellent, Satisfactory, Marginal and Weak.
- The Risk Acceptability/Tolerance Criteria wording has been adjusted including the removal of acceptance/tolerance decision delegations for Low and Medium rated risks, review frequency and controls assurance requirements. A minimum requirement for at least a Tier 2 officer to make decisions regarding acceptance of High and Extreme risks has been specified.
- The Specific Risk Criteria has been updated to remove reference to specific policy and legislation.

10. Approval

Approval by	Dr DJ Russell-Weisz, Director General, Department of Health
Approval date	7 August 2019

This document can be made available in alternative formats on request for a person with a disability.