

Risk Management Framework

OUR MISSION

To benefit people who suffer from diseases of the skin.

The Skin Hospital aims to:

- Develop the science of dermatology and its sub-specialities
- Be a centre of excellence in the provision of dermatology services, research, and education
- Remain financially independent
- Maintain visibility and relevance for our stakeholders, and for our dermatology trainees, students, and nurses.

OUR VALUES

The Skin Hospital's values are the following:

United

By a common desire to develop the dermatology profession

Achieving Excellence

In patient care, research, and teaching, and particularly for skin diseases not catered for by others

Integrity

Through acting with honesty, openness, and mutual respect

Caring

For our patients and others with our best efforts

Collaboration

By working in partnership with other people and organisations to achieve greater results

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INTRODUCTION

1.1 PURPOSE

This document has been developed under the Risk Management Policy, which creates the requirement for The Skin Hospital to establish and maintain a Risk Management Framework that sets the foundations and arrangements for designing, implementing, monitoring and improving risk management.

The Risk Management Framework outlines the overall approach for managing risk including:

- The principles underpinning risk management
- Roles and responsibilities related to the management of risk
- The process for managing risk
- The criteria for assessing risk
- Guidance for reporting and escalation of risks.

1.2 SCOPE

This Framework applies to all employees, contractors (including VMO's), registrars, students and volunteers of The Skin Hospital.

1.3 DESIGN

In developing this Framework, The Skin Hospital has had regard to AS/NZS ISO 31000:2018 Risk management – Principles and guidelines (the Australian Standard).

The approach that The Skin Hospital has established under this Framework is appropriate and proportionate having regard to the organisation's current objectives and context.



Risk Management Policy Statement

The Skin Hospital is committed to the effective management of risks.

It recognises the importance risk management plays in shaping strategic direction, enabling evidence-based decision-making and the successful delivery of our mission and purpose - *to be a centre of excellence in the provision of dermatology services, research, and education.*

Our commitment to Risk Management is reflected in our Risk Management Framework.

Effective risk management requires senior executives and staff to understand the business risks in their area and actively manage those risks as part of their day-to-day activities. All staff have a role in managing risk and it is important that they are familiar with the Risk Framework.

To provide for the maintenance of an effective risk management program The Skin Hospital is committed to ensuring:

- That risk management is an integral part of The Skin Hospital's planning and decision-making processes.
- There is a consistent approach to the management of risks across The Skin Hospital.
- Roles, responsibilities, and accountabilities are clearly defined.
- All staff with risk management roles and responsibilities are provided with the necessary authority to undertake these responsibilities.
- All staff with risk management roles and responsibilities are provided with the necessary training to undertake these responsibilities.
- The resources necessary to achieve the policy outcomes are allocated.
- Communication within The Skin Hospitals' stakeholder community in relation to the identification and management of risk is promoted and encouraged.
- The Skin Hospital accepts that, on occasions, even with sound risk management practices, things may go wrong. On such occasions, we will take the opportunity to review the reasons for the failure and endeavour to further strengthen controls to reduce the likelihood of a reoccurrence.

PRINCIPLES



Informed risk-taking and the effective management of risk is vital in supporting The Skin Hospital to achieve its strategic objectives.

To be commercially & clinically relevant, effective and promote performance and good governance, risk management at The Skin Hospital should:

- Create and protect value
- Be integrated into decision-making and organisational processes
- Help make informed choices to enable allocation of scarce resources
- Be focused on managing uncertainty
- Be tailored, practical and fit-for-purpose
- Be dynamic and responsive to changes in its operating context
- Evolve in step with the organisation's maturity

RISK MANAGEMENT GUIDANCE

Risk management is built into business-as-usual practices with the aim of using consistent language approaches and documentation across all levels of the organisation. Diagram One illustrates the integrated nature of risk management at The Skin Hospital.



Diagram One

The Risk Framework is supported by and developed having regard to the following documents:

- The Skin Hospital Clinical Governance Framework
- The Skin Hospital Work Health and Safety Policies
- The Skin Hospital IT Policies
- The Skin Hospital Privacy Policies and procedures
- The Skin Hospital Crisis Management plans
- The Skin Hospital Security Policies; and
- The Skin Hospital Business Continuity plans.

Risks need to be managed in the context of achieving organisational goals and objectives and should include consideration of positive aspects of risk management (opportunities) as well as negative ones (threats). While all staff contribute to the way risks are managed, senior staff in key positions are expected to have a clear view of the risk treatment (where applied) and its effectiveness in operation.

ROLES AND RESPONSIBILITIES

Responsibility for risk management is shared across all employees of The Skin Hospital.

Key responsibilities detailed below in **Table One**, are complementary and not duplicative, and include:

Board of Directors	<ul style="list-style-type: none"> • Setting the tone for governance and risk management, including The Skin Hospital's risk appetite • Reviewing reports and recommendations from the F & A committee • Reviewing the organisation's risk profile as part of annual Board strategy workshops
Finance & Audit Committee (F & A)	<ul style="list-style-type: none"> • Formally approve the risk management policy and framework • Overseeing management's effective development and implementation of the risk management policy and framework • Overseeing the organisation's risk profile and management's actions in the identification, assessment, management and reporting of material risks • Overseeing the risk management framework and satisfying itself that the framework is operating effectively and as intended • Monitoring the effectiveness of the risk management framework
Management Team	<ul style="list-style-type: none"> • Designing, implementing and reviewing the risk management framework • Monitoring and reviewing the organisation's risk profile • Fostering a risk-aware culture • Providing the necessary resources to support effective risk management • Reporting to the F & A on the organisation's management of its material risks • Applying the principles of risk management within their areas of responsibility • Ensuring effective controls are in place for risks within their areas of responsibility
All staff including contractors, VMO's, registrars, students, volunteers & outsourced service providers	<ul style="list-style-type: none"> • Understand and adhere to all procedural and policy guidance relevant to the role they are performing. • Report incidents to managers as they become aware of them. • Understand the risks being managed in their area of operation either through direct identification and assessment, or by gaining an understanding of the relevance of activities to risk management from their manager.

Table One Roles & Responsibilities

RISK MANAGEMENT IN PRACTICE

6.1 What is risk?

In the Australian Standard, risk is defined as “the effect of uncertainty on objectives”. In other words, risk is the chance of something happening in the future that will have a positive or negative impact on objectives. It is uncertainty about what may happen that generates risk.

timely way. Doing so helps the organisation achieve its objectives by minimising threats and maximising opportunities.

6.2 What is risk management?

Risk management is the set of activities that enable risk to be identified and managed in a practical and

6.3 What is the risk management process?

The risk management process provides a tool for understanding and making decisions about risk. The process adopted by The Skin Hospital is consistent with the ISO:31000.2018. A breakdown of the process is provided in Section 4.5 and is represented in the diagram below.

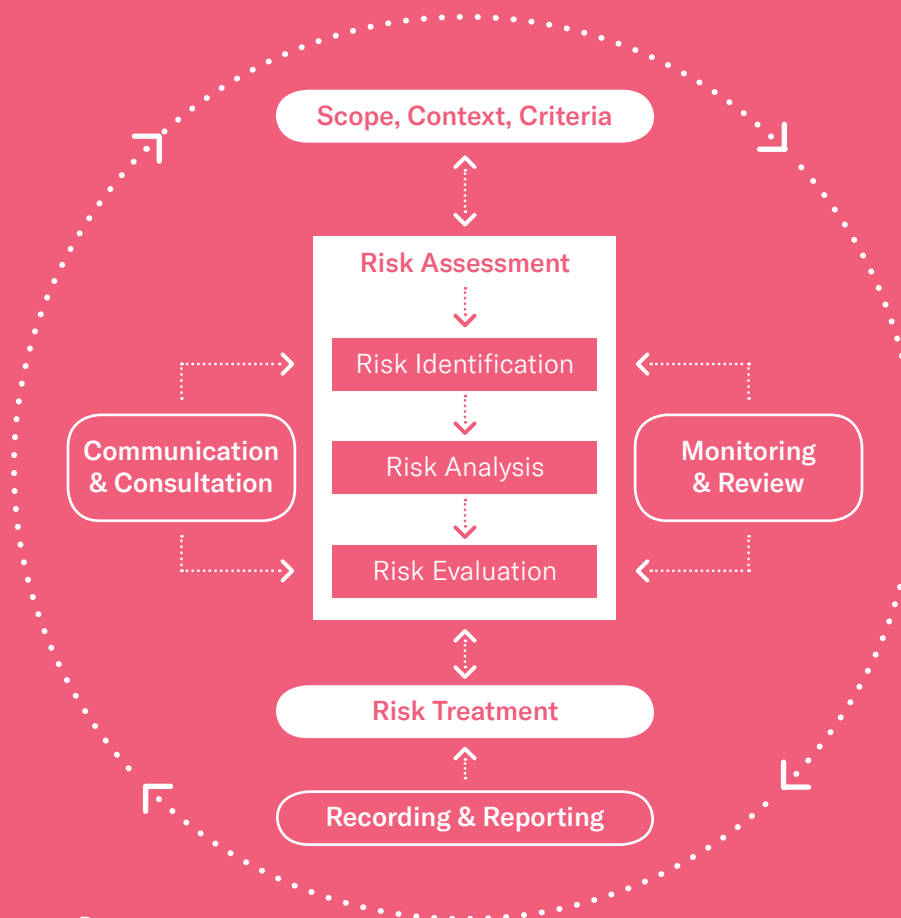


Diagram Two
The Risk Management Process

6.4 When to use risk management

It is generally expected that risk management will underpin all key activities where there is a need to explicitly think about and take risk in an informed way. Specific situations may include:

- Developing or reviewing business objectives and strategic plans – for example, as part of the annual Board Strategy Workshop
- Anticipating or implementing major changes
- Making material business decisions and developing business cases – for example, related to the acquisition of additional assets, or major change to clinical services.
- Risk Management includes clinical and corporate risk from both internal and external sources.

6.5 Breakdown of the risk management process

6.5.1 Communication and consultation

Requires engaging with internal and external stakeholders across all stages of the risk management process to share or obtain information.

6.5.2 Establishing the context

Requires consideration of both internal and external factors when identifying and managing risks associated with the achievement of objectives.

6.5.3 Risk identification

Risk identification involves identifying sources of risk, areas of impact, their causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might prevent or enhance the achievement of objectives.

For a tool to help structure the identification of potential risks for The Skin Hospital, please refer to Appendix B – Risk Identification Guide.

To assist in the clear and consistent capture of identified risks, information should be recorded in Riskclear &/or the Enterprise Risk Register (ERR).

6.5.4 Risk analysis

Risk analysis is the process to understand the nature of the risk and to determine the overall level of risk. The assessment process involves consideration of the risk criteria, including the likelihood of the risk occurring, and the consequence should it occur. Existing controls and their effectiveness should be taken into account. The risk is then assigned an overall residual risk rating.

To support the analysis of risk, The Skin Hospital has adopted standardised criteria and rating scales. Refer Appendix C – Risk Criteria.

6.5.5 Risk evaluation

This step is a decision point and enables prioritisation of risks and required treatments. In light of the current risk rating what, if any, action is required? Is the level of risk acceptable or does it need to change? The desired or target risk rating determined by the Management Team should reflect and be consistent with the risk appetite expressed by the Board.

For all material risks, being those rated High or Extreme, escalation to the Finance & Audit committee (F & A) in line with the reporting cycle is required. Where the urgency of the risk requires immediate escalation out of the reporting cycle, this will be facilitated by the Chief Executive Officer (CEO).

6.5.6 Risk treatment

Risk treatment involves identifying and selecting one or more options for addressing and modifying risk, and implementing those options. Typical risk treatment options are identified in **Diagram Three**.

Diagram Three Typical Risk treatment options



6.5.7 Monitoring and review

Both monitoring and review should be a planned part of the risk management process and involves regular checking and oversight of The Skin Hospital's risk profile.

The Skin Hospital will undertake the following monitoring and review activities as identified below in **Table Two**. These activities are meant to be complementary, with different information going to different forums for different purposes.

Activity	Purpose	Content	Frequency
Weekly Management Team Meeting (SLT)	Informal review of The Skin Hospital risk profile and progress of risk treatment plans. Discussion of any top of mind risks, recent issues or other business matters which the management team should consider.	Risk Register Periodically review progress of treatment plan actions	Weekly
Management Team Risk Profile Review (SLF)	Formal review and update of The Skin Hospital risk profile.	Risk Register Progress of treatment plan actions Movements in risk ratings New and emerging risks Retiring risks Risk events / incidents	Quarterly (or earlier if material change)
Reporting to Finance & Audit Committee (F & A)	Reporting of material risks to F & A	Summary of material risks Progress of treatment plan actions Movements in risk ratings New and emerging risks Retiring risks Risk events / incidents	Bi-annually (or earlier if material change)
	Review of risk governance documents	Risk Management Policy Risk Management Framework	Annually
Board of Directors	Reporting of material risks to the Board of Directors	Summary of material risks Performance of the framework New and emerging risks Retiring risks Risk events / incidents	Annually
Risk Events / Incident Escalation	Reporting of risk events and incidents	Summary of the risk event / incident Action plans Decisions required	As required

Table Two Monitoring & Review Activities

ROLE OF COMMITTEES

The Skin Hospital's committee structure allows for strategy, planning, information and decision making to be cascaded through the organisation, and similarly reporting on operational performance and risk management is escalated up through these committees.

Given the size of our organisation some committees will cover several key governance and risk areas. The governance structure and related organisational capability support The Skin Hospital's:

- achievement of its purpose.
- compliance with relevant laws, standards and directions; and
- ability to meet public expectations of safety, quality and accountability.

The following provides a broad overview of the committees that contribute to the Risk management governance structure:

- Board Sub-committees
 - Clinical Governance
 - Finance & Audit
 - Strategy
- Senior Leadership Team
- Senior Leadership Forum
- Patients Safety & Quality Committee
- Medical Advisory Committee
- WHS Committee
- Education Committee
- Research & Clinical Trials Committee.

RISK EVENTS

An event or incident is the actual occurrence of a risk. An event without consequences can also be referred to as a "near miss", "near hit" or "close call".

When a risk event occurs, it should be documented and reported to the Management Team, F & A committee and Board of Directors in accordance with the reporting cycle.

RISK APPETITE & TOLERANCE

Risk appetite is the amount of risk The Skin Hospital is willing to accept or retain in order to achieve its objectives.

Risk Tolerance is the level of the risk taking acceptable to the Board to achieve a specific objective or manage a category of risk. The Board

and the CEO traditionally have a low risk appetite as does most health service organisations.

As part of the risk evaluation process consideration should be given to risk tolerance, consequences and likelihood before selecting a risk treatment approach.

RISK CULTURE

The Skin Hospital aims to foster a positive risk culture. Risk culture refers to the set of shared attitudes, values and behaviours that characterise how an entity considers risk in its day-to-day activities. A positive risk culture promotes an open and proactive approach to managing risk that considers both threat and opportunity and is one where risk is appropriately identified, assessed, communicated, and managed across all levels of the organisation.

Senior management and other identified individuals are responsible for driving the risk culture through initiatives and processes. All senior staff should proactively provide feedback through normal reporting channels on external interactions with key stakeholders regarding areas of potential risk. Every employee also has a role to play in contributing positively to this culture.

It is important to note that risk influences the outcome of all work undertaken by The Skin Hospital and that all staff understand, accept, and manage risk as part of their everyday decision-making processes.

Diagram Four provides an overview of the attributes of a strong risk culture the initiatives undertaken



Diagram Four

Attributes of a strong risk culture, and staff responsibilities

by the Skin Hospital to foster a strong risk culture and the associated responsibilities of all staff to contribute to this culture.

10.1 Maintaining a culture of risk awareness

All staff, contractors including VMO's, registrars, students and volunteers should be familiar with the risks identified in the ERR, and how they apply to decision making. The ERR addresses risk in relation to:

- Work health and safety,
- Fraud,
- Privacy and security,
- Clinical,
- Other operational risk; and
- Strategic risks.

Staff and contractors including VMO's, registrars, students and volunteers should remain vigilant and continuously scan their environment for new risks and re-assess existing risks relative to their environment.

10.2 Training

All staff are required to complete a component of risk management training. A focus of this training is to improve awareness and identification of the differences between the risk to achieving the Skin Hospital's objectives and individual incidents that may occur.

An eLearning module on risk management is available to all staff. This module can be accessed at any time as an introduction or refresher of the Risk Framework. All staff are required to complete this eLearning module on commencement and bi-annually.

Face to face training for staff undertaking risk management duties or performing a risk assessment (formal or informal) will be undertaken as required.

REVIEW AND IMPROVEMENT OF THE FRAMEWORK

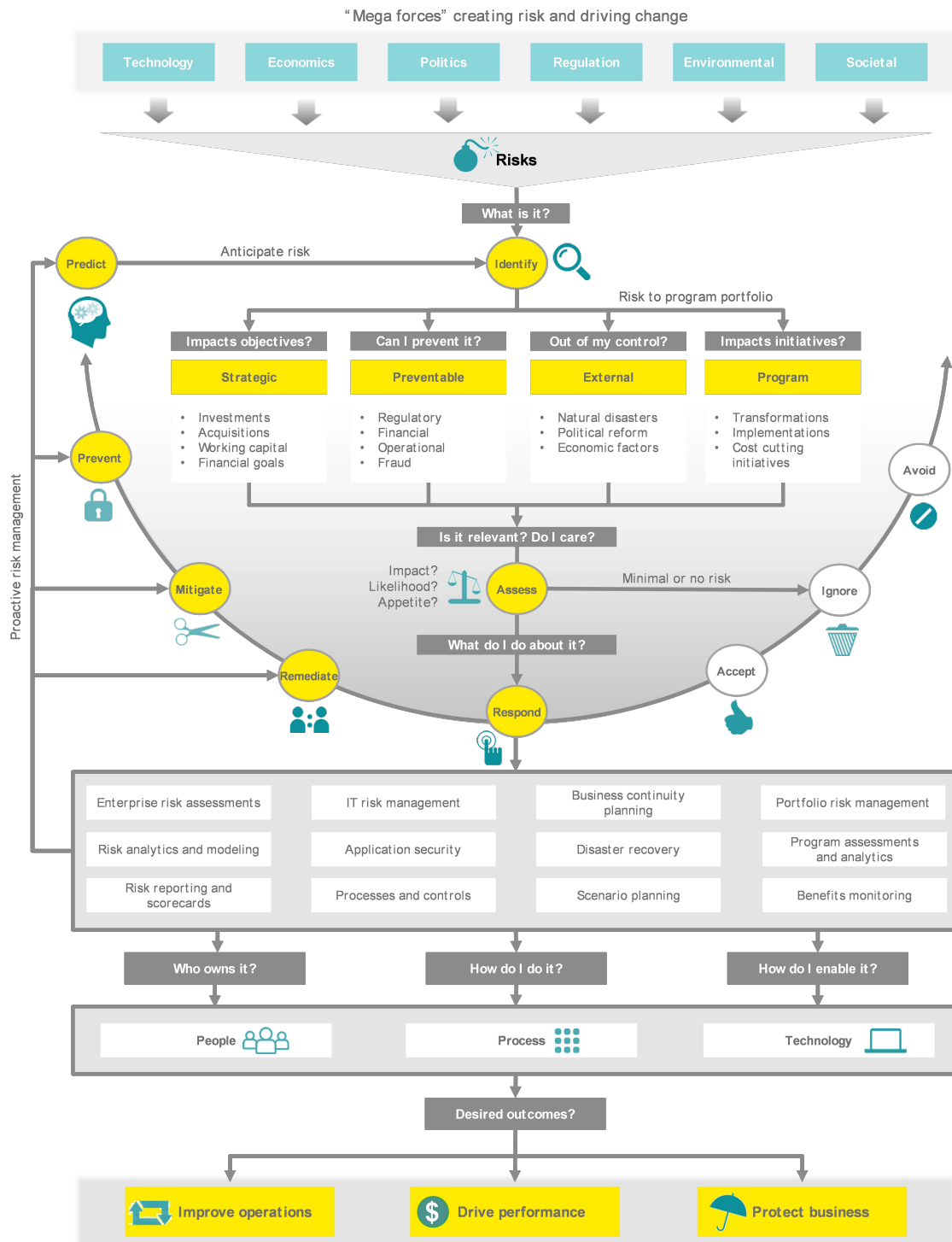
This framework will be reviewed annually or earlier if required by a change in circumstances.

The purposes of this review are to:

- Understand how the approach to risk management can be improved
- Ensure that risk management is effective and continues to support organisational performance
- Evolve the maturity of the approach to risk management in step with the culture and operating context of The Skin Hospital.

Appendix A | Risk Management in Practice

The process detailed below provides additional guidance on the application of risk management to decision making. The focus of the process is risk identification, risk assessment and risk evaluation.



Appendix B | Risk Identification Guide

The diagrams provide structure to guide the risk identification process.

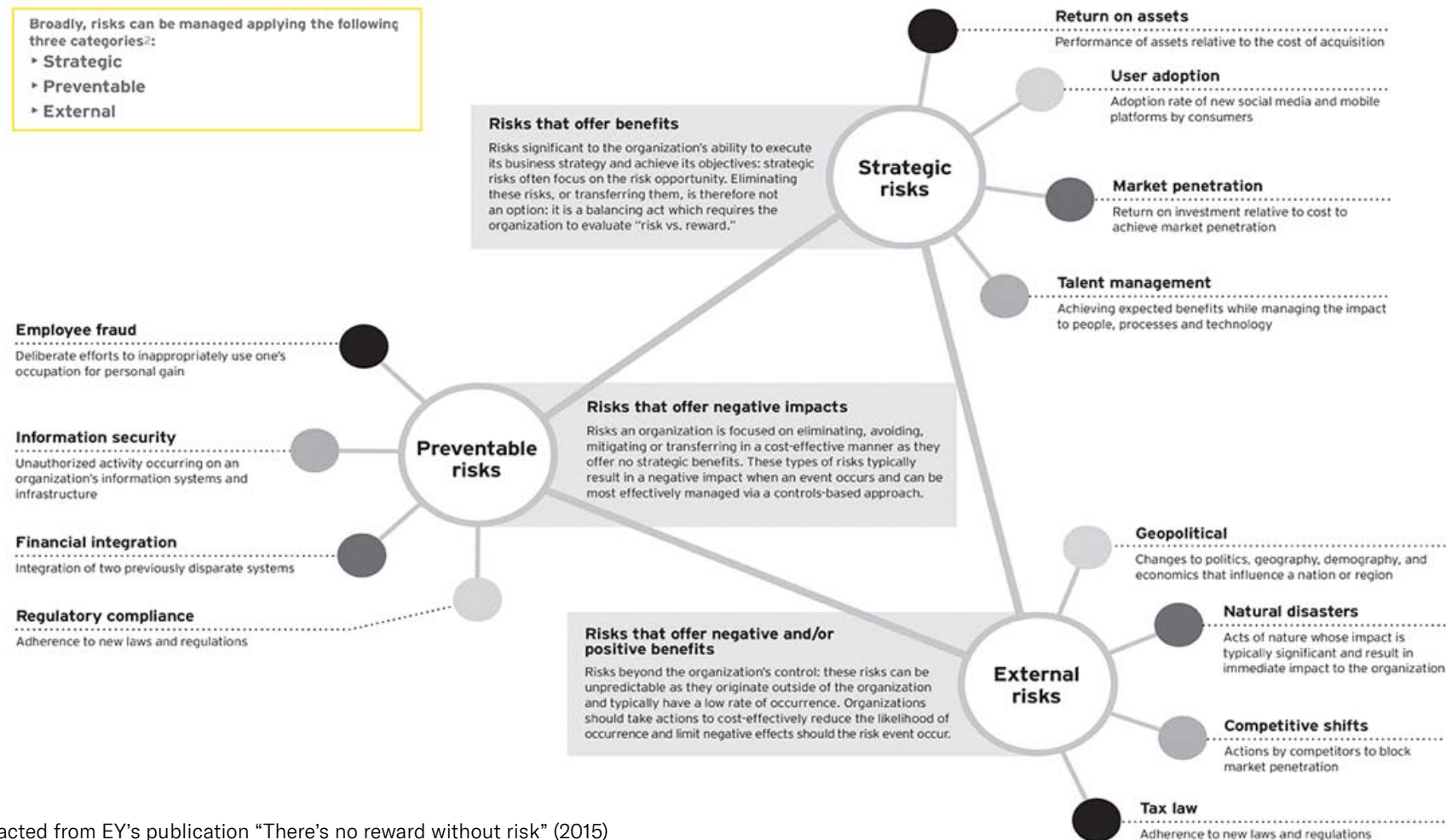


Diagram extracted from EY's publication "There's no reward without risk" (2015)

Appendix C | Risk Criteria

The Skin Hospital risk rating criteria are detailed below. Material risks are those rated High or Extreme.



Risk and SAC Rating

This Matrix should be used in conjunction with The Skin Hospitals Risk Management Framework, Clinical Incident Management Policies/Guidelines and the WHS Hazard and Incident Reporting Procedure.

Step 1 - Identify the Consequence (the examples listed here are not exhaustive.)

		Consequence Table				
		SEVERE	MAJOR	MODERATE	MINOR	INSIGNIFICANT
Clinical	Patient	Patient with death unrelated to the natural course of the illness and differing from the immediate expected outcome of the management or: The National Sentinel Events: • Procedures involving incorrect patient or body part. • Suspected suicide in hospital or within 7 days of discharge • Retained instruments or other material requiring surgical removal. • Medication involving the death of a patient/ resident/client. • Intravascular gas embolism	Patient suffering a Major permanent loss of function (sensory, motor, physiological or psychological) unrelated to the natural course of the illness and differing from the expected outcome of the management or any of the following: • Suffering significant disfigurement because of the incident • Patient at significant risk due to being absent against medical advice. • Threatened or actual physical or verbal assault of patient requiring external or police intervention.	Patient with permanent reduction in bodily functioning unrelated to the natural course of the illness and differing from the expected outcome of patient management or any of the following: • Increased length of stay because of the incident. • Surgical intervention required because of the incident	Patient requiring increased level of care including: • Review and evaluation • Additional Investigations • Referral to another clinician	Patient with no injury or increased level of care or length of stay.
	Financial	Event is a critical financial loss that cannot be managed by the CEO or Board resulting in closure or significant reduction in a Service.	Event cannot be managed by the Service, requires CEO or Board approval.	Event that can be managed by the CEO or member of the Senior Leadership Team.	Event can be managed within existing unit/department budget.	Event with minimal financial impact requiring no action or approval within local authority levels.
Corporate Consequence	Worker/ Visitor/ Contractor/ Volunteer	Fatality of one or more persons	Severe irreversible disability to one or more persons	Extensive or multiple injuries Injuries requiring immediate treatment as in-patient in a hospital. Electric shock	Workplace related injury/illness to a person requiring medical treatment and/or time off work/normal activity	Minor workplace related injury/illness requiring first aid or minor medical treatment
	Consumer/ Customer/ Community Feedback	Event leading to a major external review recommending closure of or significant reduction in services.	Event of a Health Care Complaints Commissioner investigation with recommendations requiring significant changes and/or resources; negative community, or media attention requiring restorative community engagement.	Event involving investigation by the Health Care Complaints Commissioner with or without notification of regulatory bodies and/or resulting in negative media attention.	Event requiring investigation and/or formal response and resulting in procedural or policy change.	Event requiring minimal local action/response
	Accreditation/ compliance	Loss of accreditation/certification or legislative non-compliance resulting in closure or significant reduction in a Service. Conviction of Senior Executive or Board Director resulting in closure or significant reduction in a Service.	Loss of accreditation/ certification or legislative non-compliance resulting in sanctions and/ or loss of community confidence and/or reputation.	Failure to achieve full term accreditation/ certification and/or high priority recommendations from accrediting/certifying body requiring timely action to maintain accreditation/certification. Legislative non-compliance requiring internal management.	Recommendations received following accreditation/certification process requiring action and/or additional resources.	Recommendations received following accreditation/certification process requiring minimal action.
	Environmental/ Facility/ Equipment	Major damage resulting in closure of facility and/or cessation of service	Collapse or partial collapse of a facility or structure. Uncontained environmental event requiring site wide evacuation; or temporary closure of the facility Hazardous/toxic substance release offsite with detrimental affects Major property or equipment damage (\$100K+)	Uncontrolled: escape, spillage, or leakage of a substance/gas; fire or explosion Significant property or equipment damage (between \$10K and \$100K) Large on-site spill contained with outside assistance; remediation work required	Moderate property or equipment damage (between \$1K and \$10K) Onsite spill contained (potential waste or water contamination) Scheduled drug register anomaly or incorrect storage requiring investigation	Slight property or equipment damage (less than \$1K) Minor contained spill, no environmental impact. Scheduled drug register error corrected at the time of the incident

Step 2 - Determine the Likelihood of Reoccurrence

Likelihood	
FREQUENT (Almost certain)	The event is expected to occur common or repetitive occurrence in our organisation; several times per year
PROBABLE (Likely)	The event will probably occur sometime; has happened at the service or more than once per year in our organisation
OCCASIONAL (Possible)	The event should occur at some time; once per 1 to 2 years; has happened in our organisation
UNCOMMON (Unlikely)	The event could occur at some time (infrequently); once per 2 to 5 years; heard of in industry
REMOTE (Rare)	The event may occur in exceptional circumstances; may happen every 5 years or more; never heard of in industry

Step 3 - Risk Matrix Calculate the SAC or Risk Rating

Consequence	SEVERE	MAJOR	MODERATE	MINOR	INSIGNIFICANT
FREQUENT (Almost certain)	1	1	2	3	3
PROBABLE (Likely)	1	1	2	3	3
OCCASIONAL (Possible)	1	2	2	3	4
UNCOMMON (Unlikely)	1	2	3	4	4
REMOTE (Rare)	2	3	3	4	4

Step 4 - Notification required according to the Incident Risk/SAC Rating

Level 1 Extreme Risk - CEO and SLT attention required <ul style="list-style-type: none"> Staff notify manager on duty. Manager on duty confirms incident severity. Manager on duty notifies CEO and Work safe if it is a WHS incident. Manager also notifies: <ul style="list-style-type: none"> Director of Nursing Services if a clinical incident Head of Human Resources if a WHS incident CFO for other SAC 1 incidents (property/legal/financial) CEO is responsible for notifying the SCFA Board. Incident entered into Riskclear before end of shift the incident occurred (initial notification) RCA Investigation (Clinical) or WHS investigation commenced 	Level 2 High Risk - Senior Management Team attention required <ul style="list-style-type: none"> Staff notify manager on duty. Manager on duty confirms severity assessment. Manager on duty notifies the service CEO and Work safe if a WHS incident. Manager also notifies (if appropriate): <ul style="list-style-type: none"> Director of Nursing Services if a clinical incident. Head of Human Resources if a WHS incident. CFO for other SAC 2 incidents (property/legal/financial). Enter incident into Riskclear before end of the shift the incident occurred (initial notification). A full investigation (Clinical or WHS Investigation) commenced.
Level 3 Moderate Risk - Unit/Department Head/Area Manager action required <ul style="list-style-type: none"> Staff notify Unit Manager or Manager on Duty. Incident report entered into Riskclear. Incident severity confirmed by unit/department manager. Management to assign responsibility for investigation (clinical). 	Level 4 Low Risk - All Employees <ul style="list-style-type: none"> Staff enter incident into Riskclear before end of shift the incident occurred (incident notification). Incident reviewed and severity confirmed by unit/department manager. Management review commenced.

Adapted from Calvary Risk & SAC Rating Matrix, April 2020

