Chapter 7
Methodology Initiation

Lost Boy: “Injuns! Let’s go get ‘em!”
John Darling: “Hold on a minute. First we must have a strategy.”
Lost Boy: “Uhh? What’s a strategy?”
John Darling: “It’s, er… it’s a plan of attack
Walt Disney’s Peter Pan

Someone unfamiliar with the mountains
and forests cannot advance the army
Sun Tzu 500BC
7.1 Introduction

After defining the key terms of risk and corporate risk management, it is necessary for the administrator to develop a suitable corporate risk management programme.

The development and implementation of a consistent risk management programme equips all functional unit owners within healthcare administration to identify the areas of opportunity, hazard or uncertainty. While senior management and the board attain great confidence that risk types are being optimally managed, unit owners are at the same time empowered to develop improved risk strategies and ultimately boost performance. This type of improved process management, however, requires a structured methodology that includes a number of distinct phases.

7.2 Aim

The reader will be provided with a suggested methodology on how to implement corporate risk management within the healthcare administration organisation. The chapter will then identify suitable implementation criteria, which may be used to assess the organisation's readiness for such an endeavour, together with the steps that are included in setting the goals for the programme. Commentary on goal and objective setting will also be provided.

The chapter will conclude with a suggested oversight structure and results from the empirical survey will also be presented.
7.3 Corporate risk management methodology

Figure 7.1 introduces the suggested implementation methodology. In ensuring best practice, the author has consulted a selection of external sources:

- De Loach, 2000
- IFAC, 1999
- Kendall, 1998
- King Committee, 2002
- McNamee et al., 1998
- PricewaterhouseCoopers, 2000a
- PricewaterhouseCoopers, 2000b
- Valsamakis et al., 2000.

The remainder of chapter 7 will focus on implementation feasibility, adoption of goals and oversight structures.
Figure 7.1: Corporate risk management methodology

- **Continuous improvement**
  - Consider:
    1. Suitable information systems
    2. Consolidated reporting
    3. Communication and training
    4. Benchmarking and lessons learnt
    5. Objective assessment

- **Project management**
  - Consider:
    1. Business roles
    2. Project piloting
    3. Resourcing
    4. Post implementation reviewing

- **Facilitation**
  - Consider:
    1. Facilitation techniques
    2. Facilitation in action

- **Uniform process**
  - Consider:
    1. Identify
    2. Source analysis
    3. Quantify
    4. Evaluate
    5. Manage

- **Risk management strategies**
  - Consider:
    1. Risk rejection strategies
    2. Risk acceptance strategies

- **Risk tolerances**
  - Consider:
    1. Setting tolerances
    2. Risk aggregation

- **Common language**
  - Consider:
    1. Starting blocks
    2. Business risk frameworks and other terminology

- **Adopt goals, objectives and oversight**
  - Consider:
    1. Goals and objectives
    2. Organizational oversight structure
    3. The business risk management function

- **Implementation feasibility**
  - Consider:
    1. Top executive support
    2. Operational support
    3. Operational methodologies and reporting
    4. Systems and data
Chapter 7                                                                                                  Methodology Initiation

7.4 Implementation feasibility

Before the board of trustees and management embark on the implementation of or continue their journey towards corporate risk management, it is necessary that certain factors be considered. Although each of these criteria is important within their own right, the integration of each of these elements is vital for ensuring improved effectiveness and efficiency.

As corporate risk management is rolled-out to all affected business units, it is necessary that these criteria are assessed and suitable processes implemented to ensure their existence and ongoing effectiveness.

7.4.1 Top executive support

The key to the success of corporate risk management is that top executive commitment and priority is evident. A research study conducted in 2000 highlighted that if this unified support from the board was not in place, the corporate risk management initiative would in most cases fail (De Loach, 2000: 237).

This support is obtained is by the development of a compelling business case defining both the benefits and costs of converting to a fully integrated approach. The business case should consider the following minimum criteria:

- An assessment of the current risk management initiatives within the organisation referring especially to its anticipated positioning on the risk continuum. Refer table 4.1 of chapter 4.
- The opportunity cost should the board not embark on such a conversion process.
- An assessment of the organisation’s ability to adapt to such a change in risk management methodology without detrimentally affecting its operations.
- Cost implications, both tangible and intangible, in initiating the project.
• The ability of existing management information systems to meet or adapt to the demands of such an integrated approach.
• Reference to benchmarks of similar organisations within the industry or other appropriate professional comments from business consultants and change experts.

Buy-in from top management is obtained through a gradual process from awareness to fully integrated ownership. Top management should assume the role of identifying suitable champions within the respective business units and ensuring that the accepted risk management vision and associated policies are communicated and adhered to (De Loach, 2000: 238). Since corporate risk management forms part of the business’s day-to-day operational agenda and is the responsibility of all managers, clearly articulated goals and objectives need to be established to ensure ongoing accountability.

7.4.2 Operational human resources

Since the implementation of a sound corporate risk management methodology may be jeopardised by a lack of human resources, it is necessary to ensure that buy-in from all levels of employees within the organisation is obtained. Organisations should adopt a top-down approach with regards to the assigning of responsibilities and a bottom-up approach in the implementation of information channels (Beaver et al., 1995: 230-232).

Regular training on how risk management, internal control and process re-engineering can assist the organisation in achieving its corporate risk management vision should be ongoing.

7.4.3 Operational methodologies and reporting

The continued success of risk management and its progression towards a fully integrated approach requires management to adopt a culture of transparency.
Such a management culture requires regular feedback across all levels of management and lower tiers. Such feedback should be consistent and formalised. Formalised initiatives could include minute taking of significant meetings, management presentations or intranet sites detailing high level trends and other risk information.

7.4.4 Systems and data

Unmanaged organisational data is cited as one of the chief causes of failure when implementing an integrated risk management approach (McNamee et al., 1998: 135).

Consistency in terms of risk types and control objectives are necessary for the success of corporate risk management. Such consistency is underpinned by systems and data that are accessible on a real time basis. Real time data availability would allow management to update their risk perceptions and the timely identification of areas requiring management attention. The most common types of problems encountered with current systems and data in the risk management environment include (SAS Institute, 2001):

- Untimely availability of information;
- inconsistent data quality;
- inability to compare data trends over time, across business units;
- inability to dissect data to identify root causes; and
- excessive manual intervention required to ensure data quality.

In many instances the initiation of a company-wide project to address reporting and data warehouse systems would assist in ensuring system and data reliability. Current corporate governance recommendations highlight the following standards on systems and data (King Committee, 2002: 101-102):

- Reliable data should be identified and communicated in a framework that would allow responsible personnel to discharge their risk management functions.
• Escalation processes should be in place to ensure that both negative and positive data is communicated timeously.

• Structures, which promote best practice in terms of systems and data, are shared across the organisation to avoid data redundancy and duplication of effort.

• Suitable quality management initiatives are implemented to provide management with the necessary assurance that data and systems may be relied upon.

7.5 Adopt goals, objectives and oversight

7.5.1 Goals and objectives

• Defined risk management vision: Once the board of trustees are fully supportive of the business case and unanimously agree that corporate risk management will provide the organisation with the ability to increase shareholder value, top management must provide a compelling, shared vision. The shared vision will usually form the introduction to the risk management policy that would be approved by the board of trustees.

Since company-wide participation in the corporate risk management process is vital, a communications plan addressing a number of organisational concerns should be tabled and sufficient time provided for positive criticism and feedback (De Loach, 2000: 242). The communications plan could consider the following criteria:

- Expected benefits of introducing such an integrated approach;
- why a fragmented risk management initiative is no longer appropriate;
- how the change relates to the firm’s objectives and strategies currently in place;
- that unanimous management commitment has been obtained;
- details on the accepted risk management vision and key policy guidelines;
o the process according to which progress will be measured and feedback provided;
o whether incentives will be introduced as part of the process;
o brief description of the organisational structure that will be introduced to support the corporate risk management initiative; and
o brief introduction of key role and responsibilities associated with the new structure.

- **Aligned risk management and business strategies:** For ensured success of the corporate risk management initiative, it is imperative that the risk management strategy be aligned with existing or future business strategies. Should such alignment not be ensured, confusion within the organisation is certain. It is recommended that the implementation of the corporate risk management strategy be performed in conjunction with a revision of all business strategies to ensure synergy. Questions that should be considered during this alignment exercise includes (De Loach, 2000: 94):
  o Is risk management a continuous or periodic activity?
  o How strong are the risk management capabilities when compared to competitors, particularly key operational activities?
  o Who is responsible for developing risk strategies and assigning risk authorities?
  o Who is responsible for executing those strategies and authorities?

- **Risk management policy:** The administrator’s risk management policy sets out its approach towards risk management and the organisation’s attitude towards risk. Such a policy also defines designated responsibilities for risk oversight as well as reporting requirements. Annexure B includes a suggested policy.
  o **Best practice:** Such a policy should begin with the rudimentary requirements included in all applicable corporate governance and other legislative documentation, e.g. the revised King Report on corporate governance. Subsequent to this, suitable feedback sessions with key management personnel on their perceptions regarding risk management within the administrator should be initiated. Key
responsibilities should refer to such initiatives. It is, however, generally accepted that the following issues are addressed in the policy (Pickford, 2000: 314):

- the objectives of risk management;
- definition of risk types;
- assignment of responsibility for risk management;
- risk management strategies; and
- risk reporting in terms of frequency and critical event monitoring.

To ensure quality, the board should consider requesting external governance specialists to provide input on additional best practice criteria and statements to be covered in the policy.

- **Obtain approval and communicate**: The corporate risk management policy should be adopted by management and endorsed by the board of trustees (IFAC, 1999: 27). The revised King Report recommends that the risk management policy should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the company (King Committee, 2002: 99). This will require that management establish a strategy. This strategy should clarify basic risk management terminology, roles and responsibilities, awareness regarding the policy and associated procedures. (IFAC, 1999: 35). This would entail (AS/NZS 4360, 1999):
  - Establishing a team containing senior management personnel to be responsible for internal communications concerning the policy;
  - raising awareness regarding managing risks;
  - communication/dialogue throughout the healthcare organisation regarding managing risk and the associated policy;
  - obtaining input from experts so as to provide suitable skills to all responsible personnel through education and training;
  - ensuring appropriate levels of recognition, rewards and sanctions; and
  - establishing performance management processes.
7.5.2 Organisational oversight structure

Critical to the success of corporate risk management is the establishment of an effective oversight structure. The two subsections below provide comment on a suitable structure for the healthcare financing administrator and the expected roles and responsibilities within such a configuration.

Broadly speaking, an oversight structure ensures that the entire corporate risk management initiative effectively achieves the goals and objectives detailed in the risk management vision and associated policies. This process usually includes ensuring that risk owners are designated timeously and communication plans are both coherent and suitably executed. Figure 7.2 refers.

- Defined roles and responsibilities: Table 7.1 highlights the suggested responsibilities of the key role players within the organisational oversight structure specific to risk management. The table is subdivided into the specific requirements as set out in the revised King Report on Corporate Governance (King Committee, 2002) as well as international governance recommendations not included in the King Report. The following specific roles are elucidated upon in table 7.1:
  - Chief executive officer;
  - board of trustees;
  - risk management committee;
  - audit committee and internal audit;
  - chief risk officer;
  - chief operations officer; and
  - financial director.

The following sources were relied upon in identifying international governance recommendations not included in the King Report:
- De Loach, 2000
- IFAC, 1999
It is generally accepted that the board of trustees are accountable to the stakeholders, understanding the critical risks, approving the corporate risk management policy and determining whether risks are in actual fact being managed and/or effectively exploited.

It is interesting to note the extent of additional best practice roles and responsibilities not included in the revised King Report. Senior healthcare administration personnel and the trustees of the medical scheme should be aware of these additional functions.

The chief executive officer is considered to be the comprehensive risk executive and is ultimately responsible for corporate risk management priorities, including facilitating the establishment of strategies and risk management tolerances. The most unique of the role players included in the oversight structure is that of the risk management committee. The committee coordinates the overall decision making regarding the entire corporate risk management programme. Annexure C includes a sample charter for a risk management committee.

As identified in figure 7.2, a division referred to as the risk management function will assist the chief risk officer in achieving his set responsibilities as detailed in table 7.1. The team comprises a group of dynamic risk specialists. The section below introduces the risk management function as well as the skill requirements of personnel involved in this activity.
7.5.3 The risk management function

The risk management function achieves its goals by providing enabling tools and frameworks to management. These tools, such as a common risk language facilitate the collection, analysis and synthesis of risk management data (De Loach, 2000: 97-100).

As can be understood from the beginnings of risk management referred to in chapter 4 section 4.3, the role of risk specialist had focused narrowly on insurance type tasks in the past. Non-industry specific roles and responsibilities of the traditional risk specialist included (Young et al., 2001: 14):

- Buying and managing insurance coverage;
- implementing loss prevention and control programmes;
- reviewing contracts and documents for insurance purposes;
- providing training and education on safety related issues;
- arranging non-insurance financing schemes;
- designing and coordinating employee benefit programs;
- assuring compliance with government mandates, such as Occupational Safety and Health Acts; and
- Assisting in the review of mergers and acquisitions activities.

To meet the demands of corporate risk management, a new breed of specialist is needed. The two key traits, which a successful risk specialist requires, are to be a true generalist and be a strong advocate of teamwork and communication (Young et al., 2001: 2). The following provides more detail on the associated traits, roles and responsibilities of this new specialist role (Pickford, 2001: 22-24 and De Loach, 2000: 97-100):

- Have a well developed “risk consciousness”;
- have a deep understanding of the workings of the organisation’s core business processes;
• have completed a tertiary education and enrolled for suitable training programmes to stay abreast of changes within the field of risk management;
• have interpersonal skills, such as the ability to interact at varying levels of management and operations within the organisation;
• have expert skills in facilitation techniques. Refer chapter 9 section 9.4; and
• have an appreciation for finance, accounting and insurance. Caution not to over emphasise insurance as the core skills should be remembered.

The position of chief risk officer requires a person imbued with all of the above traits and above all, with the ability to act as the “glue” in coordinating all risk management activities. This coordination should avoid unnecessary duplication across the various assurance activities within the healthcare administration organisation. The appointment of such a person to the board is, as yet, not common (Young et al., 2001: 14). Regular access to the board is, however, strongly recommended (Pickford, 2000: 23).
Figure 7.2: Suitable oversight structure (adapted from source: De Loach, 2000: 97-104)
Table 7.1 – Roles and responsibilities

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<tr>
<th>Role</th>
<th>King Report Recommendations</th>
<th>Additional Source References</th>
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<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>1. Provide the necessary support and authority to ensure the effective implementation and ongoing success of the risk management process within the company.</td>
<td>1. Seen as the “comprehensive risk executive” and is ultimately responsible for corporate risk management priorities, including strategies, risk tolerance levels and policies. He/she acts as the final enforcer on all such matters.</td>
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<tr>
<td>Board</td>
<td>1. Assume full responsibility for the total process of risk management. This is accomplished by ensuring that the administrator has an effective, ongoing process in place to identify risk, measure its potential impact against a varied set of assumptions and perform what is necessary to proactively manage them.  &lt;br&gt; 2. Ensure that appropriate risk tolerance levels are set and communicated to line management.  &lt;br&gt; 3. Ensure that line management designs, implements and monitors the process of risk management and integrates it into the day-to-day activities of the administrator.</td>
<td>1. The board provides an oversight role and takes a holistic view of risk management by also perceiving risk as possible areas of opportunity.  &lt;br&gt; 2. Develop a culture that rewards recognition, communication and management of risks.  &lt;br&gt; 3. Human resource performance assessment, compensation and incentive programmes linked to managers’ risk management performance.  &lt;br&gt; 4. Adoption of a common risk management language.  &lt;br&gt; 5. Ensure that a suitable oversight structure is in place that includes senior management working committees, a senior executive for corporate risk management, formal charters and job descriptions, clear risk tolerance levels and effective reporting lines.</td>
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4. Ensure that a company-wide risk assessment is conducted, at least annually, for the purposes of making its public statement on risk management.
5. Report significant risks that could affect the decisions of stakeholders (including shareowners) in their dealings with the administrator and which should be disclosed in the annual report.
6. Ensure that it is appraised of the most significant risks at appropriate intervals and determines, for each, whether the right actions are being undertaken. These assessments should also be utilised as a basis for determining whether the board believes that the business will be a going concern in the year ahead.
7. In instances where the responsibility for administering the risk management process has been delegated to a board committee, review the appropriateness and effectiveness of the risk management committee. Ensure that a comprehensive system of internal control is maintained to ensure that risks are mitigated and that the administrator’s objectives are attained.

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<td>4. Ensure that a company-wide risk assessment is conducted, at least annually, for the purposes of making its public statement on risk management.</td>
<td>6. Request corporate risk management and/or internal audit to assist in identifying, evaluating and assessing significant administration risks and the effectiveness of associated internal controls. The following criteria could be used to assess effectiveness:</td>
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<td>5. Report significant risks that could affect the decisions of stakeholders (including shareowners) in their dealings with the administrator and which should be disclosed in the annual report.</td>
<td>• Goals and values are established and communicated</td>
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<td>6. Ensure that it is appraised of the most significant risks at appropriate intervals and determines, for each, whether the right actions are being undertaken. These assessments should also be utilised as a basis for determining whether the board believes that the business will be a going concern in the year ahead.</td>
<td>• The accomplishment of goals are monitored</td>
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<td>7. In instances where the responsibility for administering the risk management process has been delegated to a board committee, review the appropriateness and effectiveness of the risk management committee. Ensure that a comprehensive system of internal control is maintained to ensure that risks are mitigated and that the administrator’s objectives are attained.</td>
<td>• Accountability is ensured</td>
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<td></td>
<td>• Corporate values are preserved.</td>
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<td>7. Adoption of a risk management framework, incorporating the following:</td>
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<tr>
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<td></td>
<td>• Risk management policy</td>
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<td></td>
<td></td>
<td>Defines the accepted approach to risk management and its attitude to, and appetite for, risk.</td>
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<td>• Resourcing risk management</td>
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|      | | Details the identification of resources required to implement monitor and coordinate the risk management process including the reporting of risk management. | Continued…
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<td>8.</td>
<td>Providing appropriate facilitation and support to line management regarding risk and internal control.</td>
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<td>9.</td>
<td>Risks should be assessed on an ongoing basis and control activities designed to address individual risks.</td>
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<td>10.</td>
<td>Pertinent information required to make educated risk management decisions is captured and communicated to appropriate personnel timeously.</td>
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<td>11.</td>
<td>The adopted risk management process is sufficient to allow for a varying business environment and changes in key support structures.</td>
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<td>12.</td>
<td>Set-up and maintain performance metrics to measure whether business units are taking the right risks to achieve the administrator’s strategic objectives.</td>
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<td>13.</td>
<td>Make suitable disclosures regarding the approved risk management process in the annual report and where the board cannot make any such disclosures, it should state this fact and provide a suitable explanation.</td>
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<td>14.</td>
<td>Where joint ventures exist, refer to the alternative sources of risk management and internal control assurance in the annual report.</td>
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- **Implementation of risk management**
  The implementation of risk management involves the formalisation of the processes involved in the identification and definition of risk, the assessment of risk in terms of likelihood and consequence and the key aspects of associated internal controls.

- **Risk management review and reporting**
  This formalises the process of risk review and reporting including both the form and regularity of reporting and the risk reporting structure.

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| Financial Director          | 1. Responsible for the risk management of areas, which traditionally fall within his/her area, e.g. treasury, credit control, etc.  
2. Acts on behalf of the chief executive officer in the implementation of the risk management process within other operational functions and areas.                                                                                                                                                                                                                      |                               |
| Risk Management Committee   | 1. Ensure that the healthcare finance administrator has in place an effective, ongoing process to identify risk, measure its potential impact against a varied set of assumptions and do what is necessary to proactively manage them.  
2. Reporting of such issues (referred to in 1 above) to a separately established board committee and not the traditional audit committee. This is due to the fact that risk management constitutes an inherent operational function and responsibility.                                                                                                                                                                                                                   | 1. The Risk management committee assumes the following additional responsibilities:  
• Coordinates overall corporate risk management decision making, e.g. Approval of risk assessments relating to strategies and new service offerings to customers.  
• Evaluates the appropriateness of risk measurement methodologies and architectures and whether they are appropriate to the administrator’s operations.  
• Ensures that sufficient capital is available for effective and efficient risk management implementation and execution.  
• Develops company-wide specific risk management policies that act as effective self-assessment guide.  
• Ensures that ongoing risk management training for senior executives is considered.  
• Assigns owners of significant risk types. |

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<td>3.</td>
<td>Should be free to obtain independent, outside professional advice as and when necessary.</td>
<td>2. The risk management committee should at all times display the attributes of independence and authority in equal proportions.</td>
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<tr>
<td>4.</td>
<td>The risk management committee should be subject to regular evaluation on their performance and effectiveness.</td>
<td>3. Meetings should be scheduled in advance, at times which would ensure that all relevant personnel may provide meaningful input.</td>
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<td>5.</td>
<td>The committee should disclose its composition; provide a brief description of its remit and the number of meetings held. Furthermore, the chair of the committee should be in attendance at the healthcare finance administrator's annual general meeting.</td>
<td>4. The risk management committee should have unrestricted access to the board of trustees.</td>
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<td>6.</td>
<td>Regarding the chairman of the risk management committee:</td>
<td>5. The risk management committee should not be involved in the day-to-day running of the administrator except insofar as the management of risk is concerned. Accordingly, it is essential that it does not usurp the role of the board of trustees and line management.</td>
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<td>• The chairman should be independent of the activities that the risk management committee oversees.</td>
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<td>• The chairman’s remuneration should not be linked directly to the performance of his or her duties.</td>
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<td>7.</td>
<td>Regarding the members of the risk management committee:</td>
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<td>• The number of members should be limited so that the committee remains flexible enough to effect timely decisions, e.g. five members.</td>
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<td>• Membership of the committee should be based on the type and size of the healthcare administrator.</td>
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<td>• Members with strong legal, corporate finance backgrounds are recommended.</td>
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<th>Role</th>
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| **Chief Operations Officer** | 1. Accountable to the board for designing, implementing and monitoring the process of risk management and integrating with daily operational activities.  
2. Developing generally accepted risk management frameworks that are also integrated into daily operational activities.  
3. Provide the necessary assurance to the board that the designing, implementing and monitoring of the risk management process has been conducted in an appropriate and effective manner. | 1. Business management assumes the following additional responsibilities:  
• Manage significant risk types and report results according to established reporting protocols.  
• Formulate risk management strategies consistent with the administrator’s wide approach.  
• Target new project and development initiatives to create new sources of value consistent with enterprise-wide policies.  
• Assign risk management responsibilities within their respective business units and create a risk awareness culture.  
• Report on the overall quality of the corporate risk management process to senior management. |
| **Chief Risk Officer** | 1. Acts as business management's coach by assisting them in designing and implementing suitable risk management architecture and regularly reviewing such systems for appropriateness and effectiveness.  
2. Monitor the company-wide risk profile and ensure that major risks are identified and reported upwards. | 1. Is a member of the risk management committee and reports either to the chief executive officer or another member of the board of trustees.  
2. Oversees the corporate risk management function and is the ultimate champion of the corporate risk management framework process. |
### Role | King Report Recommendations | Additional Source References
---|---|---
3. | Assist the board in fulfilling their corporate governance responsibilities. | 3. Not responsible for risk management, but facilitate, challenge and drive the integrated approach. |
4. | Assist in the execution of the approved risk management process. | 4. May have authority for managing a selection of significant risk types. |

#### Audit Committee And Internal Audit

1. Internal audit does not assume the functions, systems and process of risk management but assists the board and management in the monitoring of the risk management process.
2. Assist the board of trustees and management in identifying, evaluating and assessing significant organisational risks but not assume the functions, systems and processes of risk management.
3. Monitor the progress of business units in managing their risks in coordination with the corporate risk management function.

1. Leverage knowledge of the line’s risk management architecture in targeting prospective areas for internal audits.
2. Change in the internal auditor’s paradigm from old to new, in terms of (next page):
4. An effective internal audit function should provide:
   - Assurance that the risk management process is adequate to identify and monitor significant risks.
   - Credible processes for feedback on risk management and other assurance services are in place.

5. Internal audit also monitors, through its own assurance processes, the progress of business units in managing their risk in coordination with the chief risk officer or risk committee.

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<th>Role</th>
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<td></td>
<td>Area</td>
<td>Old</td>
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<td><strong>Internal audit focus</strong></td>
<td>Internal Control</td>
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<td><strong>Internal audit response</strong></td>
<td>Reactive</td>
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<td></td>
<td><strong>Risk assessment</strong></td>
<td>Risk factor based</td>
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<td><strong>Audit testing</strong></td>
<td>Key controls</td>
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<td></td>
<td><strong>Audit methods</strong></td>
<td>Emphasis on completeness of control testing</td>
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<td><strong>Recommendations</strong></td>
<td>Internal control:</td>
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<td>Strengthened</td>
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<td>Effectiveness</td>
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<td><strong>Audit reports</strong></td>
<td>Internal control focused</td>
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<td></td>
<td><strong>Role in organisation</strong></td>
<td>Independent appraisal</td>
</tr>
</tbody>
</table>
7.6 Corporate risk management in South Africa

Results of the local survey are featured below. These results relate specifically to the implementation feasibility and suitable goals, objectives and oversight structures within the corporate risk management initiative:

Scales applied in the empirical study were as follows:

<table>
<thead>
<tr>
<th>Importance</th>
<th>&gt;8 = Crucial.....7.....6 = important.....5.....4.....3 = cognisant.....2.....1 = unnecessary.....0 = N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational Status</td>
<td>&gt;8 = Managed/optimised.....7.....6 = defined.....5.....4.....3 = repeatable.....2.....1 = initial/rudimentary</td>
</tr>
<tr>
<td>Difficulty in Implementing</td>
<td>&gt;8 = Major restructuring required.....7.....6 = six to twelve months management attention needed.....5.....4.....3 = 1 to 3 months management attention.....2.....1 = no problems encountered</td>
</tr>
</tbody>
</table>
Figure 7.3: Empirical study results: methodology initiation phase

Criteria below detail the action steps followed within the methodology initiation phase of a corporate risk management programme.
Figure 7.4: Empirical study results: adoption of goals, objectives and oversight phase

Criteria below detail the action steps followed within the adopt goals, objectives and oversight phase of a corporate risk management programme

![Bar chart showing the average response, importance, organisational status, and difficulty in implementing for different criteria related to risk management vision, oversight structure, and role definitions.](chart.png)
Based on the responses to the empirical study, the most noteworthy issues raised include:

- Top executive commitment and buy-in was considered the most important element of the methodology initiation phase. The need for up to date systems and data to provide timely information was considered to be the most difficult step in implementing whilst top executive commitment was considered the most simple.

- A suitable oversight structure and the need for clearly defined roles and responsibilities was considered very important to the respondents within the adopt goals, objectives and oversight phase. The most difficult step in implementing within this phase was clearly defined roles and responsibilities.

7.7 Summary

This chapter details a suggested corporate risk management methodology for the private healthcare administrator. The chapter provides details on the implementation feasibility, goals, objectives and oversight phases.

Within the phase of implementation feasibility, the following issues were elucidated upon:

- Top executive support;
- operational human resources;
- operational methodologies and reporting; and
- systems and data.

In terms of the adoption of goals, objectives and oversight structures, key issues raised were:

- Goals and objectives, in terms of a defined risk management vision, alignment of risk management and business strategies and a risk management policy;
- organisational oversight structure, in terms of defined roles and responsibilities; and
• the risk management function.

A suitable organisational oversight structure for the healthcare administrator is introduced and corporate governance responsibilities for key role players in relation to risk management are summarised.

The results of the empirical study confirm that top executive commitment and buy-in as well as the need for a suitable oversight structure are of paramount importance.

7.8 Conclusion

The implementation of corporate risk management requires a methodology to be developed, which considers and builds on the strengths of existing risk management initiatives, within the healthcare administration organisation.

The success of a corporate risk programme requires the dedication of all levels of management. To obtain this buy-in, it is necessary that the programme not be tenuous but sufficiently defined and structured to suitably address the diverse types of risks faced. Key elements of the programme can be incorporated into a risk management policy, which addresses the objectives of risk management, roles and responsibilities and risk management strategies. Risk management strategies will be one of the key themes of the next chapter.