National Disability Insurance Agency
Risk Management Framework

September 2014

Contents

Introduction

The National Disability Insurance Scheme (NDIS) is a once in a generation economic and social reform which has been agreed to by all governments and will benefit all Australians.

The NDIS is an exemplar of governments doing what people cannot do for themselves.

People with disability are at the centre of the NDIS, and the Board and management of the National Disability Insurance Agency (NDIA) are committed to working with stakeholders—participants, their families, carers, governments, providers, business and community —to build a world leading disability system.

Starting with the current launch phase 2013–2016 and building to full scheme, the Board is committed to building a sustainable, flexible and responsive NDIS, which makes a real difference to the lives of people with disability, their families and carers and their integration and inclusion in community.

Achieving this goal will require clear focus on critical priorities; careful management of risks; and excellent implementation.

No one should underestimate the significance of the NDIS and the transformation it brings for people with disability, their families and carers and all Australians. True integration and inclusion in mainstream community, socially and economically, is the ultimate goal.

To ensure that the NDIA is a high performance organisation, which forever changes Australia's disability system into one which is equitable, efficient, sustainable and based on choice and control, will require regular reviews of the NDIA's own performance and a culture of continuous learning.

The NDIA needs to manage the balance between choice and control and reasonable and necessary supports to ensure the Scheme is equitable and sustainable for all Australians. Underpinning the Scheme with insurance-based principles and processes will enable the NDIA to achieve this.

The NDIS is also a critical part of the National Disability Strategy (NDS) which states that the community, government and industry must work together to address the challenges faced by people with disability. This joint responsibility is essential for the NDIS to be a world leader. The NDIS will share responsibility with the community and Australian governments to develop an inclusive society in which the economic, education and social participation of people with a disability is maximised.

There are significant risks inherent in such a large and ambitious initiative. This document describes how the NDIA sets out to manage those risks.

Chapter 1: Scheme Governance

The Scheme is funded jointly by the Commonwealth, State and Territory Governments. It is administered by the National Disability Insurance Agency. The NDIA is established under Commonwealth legislation (the *National Disability Insurance Act 2013*), and funded by the Commonwealth Government. The Agency is governed by a Board, appointed by the Commonwealth Minister with the support of State and Territory Governments. The Board is advised by an Independent Advisory Council, also appointed by the Commonwealth Minister with the support of State and Territory Governments.

The Agency was established as a statutory authority under the *Commonwealth Authorities and Corporations Act 1997*, and is now a corporate entity under the new *Public Governance Performance and Accountability Act 2013*, which came into effect on 1 July 2014.

Broadly, the Board is responsible, under the *National Disability Insurance Act 2013*, for ensuring the proper, efficient and effective performance of the Agency's functions; and for determining the objectives, strategies and policies to be followed by the Agency. In discharging these responsibilities, the Board is also bound by two pieces of subordinate legislation, the *National Disability Insurance Scheme – Rules for the Scheme Actuary 2013*, and the *National Disability Insurance Scheme – Risk Management Rules 2013*. Accordingly, the Board has established two committees, the Sustainability Committee and the Audit and Risk Committee.

The Board has developed a Strategic Plan for the years 2013-2016, which sets out three key goals, and success indicators for each. The indicators are drawn from the Integrated Performance Reporting Framework (IPRF), which was agreed in the Intergovernmental Agreement at the Council of Australian Governments. A copy of the Strategic Plan 2013-2016 is at Attachment A.

In relation to risk management, the Board uses Prudential Standard CPS 220, promulgated by the Australian Prudential Regulation Authority, as the best practice standard it seeks to emulate, in addition to meeting the requirements of the *Risk Management Rules*. Generally accepted international risk standards, and in particular, ISO 31000:2009: Risk management – principles and guidelines, and other legislative requirements, are also factored in to the development of the Risk Management Framework.

Complementing Agency-specific risk management activities is the important and ongoing role of the State and Territory Governments in reviewing quality and system safeguards of service providers that support the Agency in managing the overall integrity of the Scheme's operation.

The Board freely accepts that it is ultimately responsible for ensuring that the Agency has a risk management framework that is appropriate to the size, business mix and complexity of the Agency and the Scheme. It is responsible for defining the Agency's risk appetite and establishing a risk management strategy, and ensuring that a sound risk management culture is established and maintained throughout the Agency.[1] Further, the Board accepts that requirements for the framework will change over time, as the Scheme expands in line with agreements made by participating Governments.

Consistent with the responsibilities of a Board articulated in CPS 220, and in accordance with section 8 of the *Risk Management Rules*, the Board formulates a Risk Management Strategy for the Agency, which is to be approved by the COAG Disability Reform Council (CDRC). The Strategy is reviewed and submitted to the CDRC for approval annually, or if significant changes are made through the year. A Risk Management Strategy was submitted to the CDRC in March 2014 and approved by that body.

[1] CPS 220, para. 13. The Risk Management Framework, in accordance with CPS 220 (para. 22) is 'the totality of systems, structures, policies, processes and people ... that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk…"

Since then, the Strategy has been further developed. The version incorporated in this document is intended to replace the earlier version approved by the CDRC.

The Board's Audit and Risk Committee provides oversight for the Agency's implementation of the Risk Management Framework and Strategy, as well as seeking independent assurance on the appropriateness, effectiveness and adequacy of the Risk Management Framework and the Agency's risk management activities.

At the Agency-wide level, the Board have approved the following risk governance arrangements:

- The Chief Executive Officer (CEO) has overall responsibility for how risks are managed by the Agency;
- The Agency Executive is responsible for ensuring key risks to the NDIA's objectives are identified, understood, and adequately managed;
- The Board Audit and Risk Committee is responsible for monitoring the risk management process and providing independent assurance and assistance on risk management to the Board;
- The Agency's Assurance, Audit and Risk Committee is responsible for internal advice and assurance to the Executive Management team and CEO on relevant risk management matters within the Agency;
- The Board's Sustainability Committee is responsible for monitoring and reporting to the Board on the financial sustainability of the Scheme and whether the Scheme objectives are being met; and
- The Board, in accordance with section 10 of the *Risk Management Rules*, makes an annual declaration to the COAG Disability Reform Council (CDRC) on the appropriateness and effectiveness of the Agency's risk management strategy.

Chapter 2: Strategic Goals and Risks

The Board regularly – usually every three years – develops a Strategic Plan and, as part of this, identifies a set of Strategic Risks. These risks are identified through a rigorous process, including consultation with key stakeholders, analysis of the external and internal context, review of internal and external audit reports and other assurance activities, and comparison with relevant local and overseas experience.

The strategic risks agreed by the Board in relation to the Strategic Plan 2013-2016, and their linkages to the goals articulated there, are set out in Table 1 below.

Table 1: Strategic Goals and Risks, 2013-2016

Strategic Plan Goal	Strategic Risks
1. People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities	1. The Agency fails to build the capacity of people with disability to exercise choice and control 2. The Agency fails to promote the independence and social and economic participation of people with disability 3. The Agency fails to establish mechanisms which effectively measure social and economic outcomes and exercise of choice and control
2. The National Disability Insurance Scheme (NDIS) is financially sustainable and governed using insurance principles	4. The Agency fails to meet support package needs within available funding envelopes 5. The Agency fails to deliver operational capability within available funding envelopes 6. The Agency fails to identify and mobilise IT resources to meet the needs of actuarial and management reporting 7. The scope and scale of participation exceeds Scheme design – more people with permanent and significant disabilities 8. The scope and scale of supports exceed Scheme design – cost of reasonable and necessary supports 9. A reduction occurs in the level of family and community supports and in personal responsibility 10. The Agency fails to invest in a lifetime approach, including early intervention
3. The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency	11. Stakeholders perceive that the Scheme has failed to meet the needs of people with disability and/or is too costly 12. Sufficient competent providers fail to emerge to meet the new and expanded demand for services 13. Sufficient qualified provider staff fail to emerge to meet the new and expanded demand for services 14. The Agency fails to meet its reporting obligations to Governments and the Commonwealth Parliament 15. The Agency fails to establish an organisational culture and management systems that foster accountability and continuous learning 16. The Agency fails to attract and retain sufficient talented leaders and staff to meet the challenges of start-up and/or full scheme rollout

The Board articulates its attitude towards the management of these risks through its Risk Tolerance Statement.

At least annually, the Board reviews the Strategic Risks and Risk Tolerance, and adds, deletes or re-prioritises as necessary to reflect the changing environment in which the Agency is operating, and the Board's priorities pursuant to the governing legislation.

The Board reviews and approves the Risk Management Strategy annually. The Strategy reflects, as a minimum, the requirements specified in the *NDIS – Risk Management Rules 2013*, and in accordance with those rules, is sent to the COAG Disability Reform Council (CDRC). The CDRC approved the first Risk Management Strategy at its meeting on 24 March 2014.

The Strategy covers the risk governance relationship between the Board, committees of the Board and the senior management of the Agency; the processes for the Agency to identify and assess risks, establish mitigation and control mechanisms for individual risks and monitoring and reporting issues in relation to risk; how the Agency will raise staff risk awareness and develop an appropriate risk culture; specific risk management roles and responsibilities; and the annual review process by which the Board will assess the effectiveness of its Risk Management Framework in identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating material risk.

It is the responsibility of Agency management to implement the Strategy, in accordance with the procedures set out in this Risk Management Framework, and supported by the material on the staff intranet.

Chapter 3: Risk Tolerance Statement

CPS 220 requires the Board to establish the Agency's risk appetite, and approve its risk appetite statement. The Board departs from the intent of the APRA standard in one crucial way. APRA-regulated bodies are commercial entities that deliberately take on risk in order to make a profit. The NDIS, by way of contrast, does not generally seek to take on risk. Rather, it seeks to manage the risks that are inherent in its role and to reduce them to tolerable levels to ensure that expenditure is controlled and outcomes achieved in accordance with agreements made by participating Governments. It is therefore generally more accurate to refer to the Agency's risk tolerance than its risk appetite.

A consolidated report on performance against Key Result Indicators of risk will be brought to the Board quarterly. It is envisaged that, once the Board has sufficient evidence to identify trends in the KRIs, ranges of tolerance will be determined. Reporting will then move to this basis.

Strategic Goal 1: People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities

The Board has identified three key risks to the achievement of this goal, which are discussed below.[2]

1. **The Agency fails to build the capacity of people with disability to exercise choice and control**

The exception to the Board's aversion to risk concerns the means by which the Agency gives effect to the fundamental principles of choice and control, and particularly how the Agency supports the dignity of risk, through its own business practices, and through contractual partners such as Disability Support Organisations. The "dignity of risk" means supporting individual participants to acquire new skills and capabilities that help them achieve their goals through prudent risk taking. Within these parameters, however, it is important for the Agency to ensure that this is "not equivalent to encouraging recklessness; allowing risk does not mean being unsafe or setting people up to fail."[3]

The Board envisages that measurement of the exercise of choice and control will become more sophisticated over time, as the number and capacity of participants and experience of the Agency grows. The Board has identified a set of measures to use in the interim, which are set out below.

The Board accepts that providing participants with genuine choice and control means that some funds will be spent ineffectively. Where participants opt to self-manage their packages of support, there is a further risk that some funds will be spent inappropriately, that is, will not be directed towards achieving desired outcomes. Further, in encouraging innovation, as required under the legislation, the Agency must accept the risk of failure, where funding does not achieve anticipated outcomes.

Guidelines have been issued to planners to assist them in the task of working with participants and their supporters to construct support packages which maximise choice and control within the overarching parameters established by the legislation. The legislation (section 34) stipulates that, in addition to general supports, "reasonable and necessary supports" that will be funded must satisfy all of the following criteria: assist the participant to pursue the goals, objectives and aspirations included in the participant's statement of goals and aspirations; assist the participant to undertake activities that facilitate social and economic participation; represent value for money; will be, or are likely to be, effective and beneficial for the participant, taking current good practice into consideration; take account of what it is reasonable to expect families, carers, informal networks

[2] Board meeting, 23 April 2014.

[3] Opportunity for Independence - Dignity of Risk (http://ofiinc.org/dignity-risk-0) accessed 19 February 2014

and the community to provide; and are most appropriately funded through the NDIS, rather than other service systems.

As part of the Agency's commitment to continuous learning, these Guidelines are revised regularly in the light of the developing body of actuarial evidence.

Within the Agency's Fraud Control Framework, a suite of analytical programs is run, designed to detect anomalies and patterns of expenditure. Instances are investigated further to identify wilful and persistent misuse of funds, and take appropriate action.

In summary, the Board accepts that, in giving effect to the legislative requirement to promote individual choice and control, it is likely that some funds will be spent ineffectively or inappropriately. The Board accepts this risk, but seeks to mitigate its impact through guidance to staff and participants, and an active fraud detection program. Building participant capacity to make informed choices will also operate to mitigate this risk. Given the measures in place under the Fraud Control Framework, the Board believes the residual risk of fraudulent activity by participants is acceptable.

Key Result Indicators

- The percentage of plans managed by participants, in whole or in part;
- The percentage of plans managed by a plan facilitator;
- The percentage of plans that contain a flexible provision, that is, an amount allocated but where a specific purpose is not specified;
- The percentage of plans managed by the Agency;
- The percentage of participants accessing services provided by Disability Support Organisations or Local Area Coordinators;
- Proportion of participants participating in the labour force;
- Proportion of participants who participate in social and community activities;
- Proportion of carers with increased opportunities for economic or social participation;
- The percentage of participant plans where misuse of funds occurs; and
- The amount of funds that are misused.

2. The Agency fails to promote the independence and social and economic participation of people with disability

The Agency is legislatively obliged to "support the independence and social and economic participation of people with disability", and further, to fund reasonable and necessary supports that "develop and support the capacity of people with disability to undertake activities that enable them to participate in the community and in employment."[4] In so doing, Agency staff encourage participants, and their families and carers where appropriate, to articulate a participant's goals (desired outcomes) for independence and community and economic participation in consultation with relevant Disability Support Organisations. Agency planners also work with participants, and their families and carers as appropriate, to develop a package of reasonable and necessary support to help them achieve those outcomes. As part of this process, Local Area Co-ordinators facilitate access to existing supports available, from either informal networks or mainstream services.

The quality of advice given by Agency staff is an important element of the development of appropriate packages of support. The Agency has mandated selection criteria for staff employed as planners that include understanding of the needs of people with disability or lived experience with disability. Additional guidance is available through material available to staff on the intranet, and a peer review process examines a sample of plans and provides feedback as part of the Agency's

[4] *NDIS Act 2013*, section 3(1)(c) and 4(11)

commitment to continuous learning. Guidance on available and appropriate supports is also provided through decision support tools based on actuarial evidence.

The Board has established an Outcomes Framework Reference Group led by the Scheme Actuary to consider how best to measure individual outcomes for participants. The outcomes framework will link to the NDIA Strategic Plan and the operations performance framework that is being developed. Phase 1 of the project produced a review of existing national and international outcomes frameworks. This information is being distilled to produce recommendations for individual outcome measurement domains and indicators. Phase 2 of the project (July to December 2014) will involve consultation with key stakeholders, finalisation of the framework, and implementation.

The Board considers that these measures work effectively to ensure that the Agency supports participants in setting their goals and developing packages of support that will achieve their desired outcomes. However, the Board recognises that errors of judgement will be made, and that consequently there will be instances when goals and packages of support do not effectively support the achievement of independence or social or economic participation. The quality assurance arrangements instituted by the Agency are designed to ensure that the prevalence of such errors is kept within best practice benchmarks.

However, achievement of desired outcomes is also contingent on the capacity of support providers to meet the demand. This is linked to Strategic Risk numbers 12 and 13, and is explored more thoroughly below. Briefly, there is a significant risk of market failure – that is, insufficient service providers to meet demand - in some areas, particularly in rural and remote regions of Australia. The Board's capacity to influence the availability of providers to meet demand is limited. Building disability sector capacity and building service provider readiness are two of the seven priorities targeted for sector development funding but the Board accepts that the residual risk of some market failure is high, and that fully effective mitigation strategies are beyond its capacity.

As noted above in relation to Strategic Risk number 1, the Board accepts that one of the consequences of supporting individual choice and control and the dignity of risk is that, in some instances, funded supports will not achieve the desired outcomes. The Board aims to manage the incidence of failure, but accepts that this is not totally within its control.

Key Result Indicators

- The proportion of participants achieving plan goals, across all life domains;
- The delivery of agreed supports as planned;
- Participant/carer satisfaction rates;
- The percentage of working age participants engaging in paid employment; and
- Quality of staff decision making.

3. The Agency fails to establish mechanisms which effectively measure social and economic outcomes and exercise of choice and control

In the interests of transparency and accountability, the Board is concerned to ensure that the Agency demonstrates the effectiveness of its efforts to achieve the outcomes for the Scheme envisaged by participating Governments and specified in the enabling legislation. Over the period of the first Strategic Plan, the Board has given priority to robust measurement in the two key areas of social and economic participation and exercise of choice and control.

The Scheme Actuary is leading an Outcomes Framework Reference Group to consider how best to measure individual outcomes for participants. The outcomes framework will link to the NDIA Strategic Plan and the operations performance framework that is also under development. Phase 1 of the project is complete, and has produced a review of existing national and international outcomes frameworks. This information is being distilled to produce recommendations for

individual outcome measurement domains and indicators. Phase 2 of the project (July to December 2014) will involve consultation with key stakeholders, finalisation of the framework, and implementation.

Measurement of the achievement of social and economic outcomes is contingent on the specification of appropriate goals in participant plans. A participant's success or otherwise in achieving the goals they set for themselves is assessed as part of the plan review process. A three-point measurement scale is used: achieved, partially achieved, not at all achieved; and each goal in a participant's plan is assessed. In this context, it is important to note again that the Board accepts that some participants will not achieve their goals, or will only partially achieve them, and that this is consistent with supporting the dignity of risk. The Board notes that the results of the internal quality assurance regime in relation to the quality of participant plans are an important contributor to management of this risk.

Limitations of the current IT system may compromise the capacity of the Board to obtain sufficiently granular information to measure outcomes effectively in the short term. This is discussed further in relation to Strategic Risk number 6 below. The Board's approach to management of Strategic Risk number 3 is twofold. In the first instance, the Board seeks assurance about the integrity of data in the current participant management system, and looks to internal quality assurance and audit work to provide that assurance. Secondly, the Board's IT and Sustainability Committees are providing oversight and input into specification of system requirements for the long-term IT solution.

Key Result Indicators

- Internal quality assurance results on the quality of plans;
- Internal audit findings on data integrity

Strategic Goal 2: The National Disability Insurance Scheme (NDIS) is financially sustainable and governed using insurance principles

The Board has identified seven key risks to achievement of this goal.

4. The Agency fails to meet support package needs within available funding envelopes

Participating Governments have made commitments to a significant amount of funding for the NDIS (although the Commonwealth Government is responsible for 100% of the funding for the administration of the Scheme, that is, for the National Disability Insurance Agency). The extent of this commitment to packages of support, over the period of the 2014-15 Budget forward estimates, is shown in Table 2 below.

Table 2: Expenses for packages of support over the period of the 2014-15 Budget forward estimates[5]

Expenses[1]	2013-14 Estimated actual ($'000)	2014-15 Budget ($'000)	2015-16 Forward estimates ($'000)	2016-17 Forward estimates ($'000)	2017-18 Forward estimates ($'000)
	148,403	458,255	851,076	3,447,796	9,749,457

The Agency needs both to achieve Scheme outcomes within the available funding envelope and to demonstrate the wise use of those funds.

The Board regards this as one of the highest risks the Agency faces. The Board has established the Sustainability Committee (which currently comprises all Board members) to focus predominantly on this risk. The Committee uses actuarial data and projections to monitor commitments and actual

[5] Source: *Portfolio Budget Statement 2014-15, Budget Related Paper No. 1.15A, Social Services Portfolio*, p. 236

expenditure on packages of support, and cash flows. In addition to aggregate data, this monitoring includes examination of types of support against a range of demographic indicators (for example, age cohort and primary disability), life domain, and trial sites. The Board expects that its capacity to demonstrate that packages of support fall within anticipated actuarial ranges and achieve outcomes effectively while providing value-for-money will increase over time with the growth of the participant population and experience. The Board is committed to communicating regularly with Governments on progress with achieving the objectives set for the Scheme, through its quarterly and annual reports, meetings with individual Ministers, and the CDRC, the reporting obligations of the Scheme Actuary set out under section 180B of the *NDIS Act 2013*. This includes reporting on proposed remedial action to address any identified issues, which might threaten long-term sustainability or the short term funding envelopes.

However, the Board acknowledges that the commitments by Governments were made on the basis of the best information available at the time, particularly through the work of the Productivity Commission, and that the Agency's capacity to manage within the available funding envelope may be impacted by the level of unanticipated need for support. Should this risk emerge, the Board is committed to resolving it in consultation with participating Governments.

Key Result Indicators

- total payments compared with actuarial projections;
- number of support packages within expected ranges;
- growth in future commitments as forecast by the Scheme Actuary

5. The Agency fails to deliver operational capability within available funding envelopes

With trivial exceptions, the Board has no independent sources of revenue. It is entirely dependent upon funds appropriated by the respective Parliaments. The Commonwealth Government bears all the costs for the administration of the Scheme, with the exception of a $25 million contribution from the Victorian Government to assist with the location of the National Office in Geelong. Anticipated operating expenses (excluding capital) for the period of the 2014-15 Budget forward estimates are shown in Table 3 below.

Table 3: Agency Operating Expenses over the period of the 2014-15 Budget forward estimates[6]

Expenses	2013-14 Estimated actual ($'000)	2014-15 Budget ($'000)	2015-16 Forward estimates ($'000)	2016-17 Forward estimates ($'000)	2017-18 Forward estimates ($'000)
	120,679	162,661	203,399	692,717	1,345,521

Projected growth in expenditure across the outyears is linked to the planned expansion of the Scheme. The Board notes that the details of the expansion are being negotiated with States and Territories, and that agreement is not scheduled for conclusion until March 2015. Furthermore, the Board has commissioned advice from KPMG on the best means of achieving the transition to full scheme and may wish to suggest to participating Governments that an alternative approach be followed.

The Board closely monitors Agency expenditure, and focuses on both efficiency and effectiveness in its scrutiny. An Audit and Risk Committee has been established to assist in this process. The Board also commissions independent advice to provide assurance of the Agency's capacity to achieve mission-critical goals. Recent examples include the review of Agency capability, and the review of

[6] Source: *Portfolio Budget Statements*, p. 240. Note: The Commonwealth contributes 100% of Agency operating costs.

the Agency's preparedness to transition to full scheme. The Board requires management to develop an action plan to address any gaps identified by external reviewers, and monitors the implementation of these plans. The Board places a high priority on managing within funding allocations, and is not prepared to countenance an operating deficit.

The Board is also committed to building a culture of continuous learning in the Agency, and this is seen as a strategic priority (see the discussion on Strategic Risk number 15 below).

Notwithstanding this, the Board recognises that the Agency's operating budget is determined by the Commonwealth Government, and is subject to whole-of-Government fiscal policies and priorities. For instance, it is required to meet efficiency dividends. Given that the Agency's operations are largely driven by inter-governmental agreements on participant phasing and full scheme rollout, there is a risk that continued reductions in the operating budget will compromise the Agency's capacity to transition to full scheme as scheduled. Further, such reductions could compromise the Agency's capacity to provide adequate assistance to participants in developing the plans that underpin packages of support. The Board is committed to achieving efficiency gains to forestall these outcomes. Should they nevertheless appear likely to eventuate the Board will advise the Commonwealth Minister promptly, and work with relevant Commonwealth agencies to resolve the issue.

The Board also notes in this context that the target of a 7% Agency operating expenses ratio at full scheme, specified in the Intergovernmental Agreement, is ahead of any performance currently being achieved in comparable sectors.

Key Result Indicators

- operating expense ratio compared with the target specified in the IGA;
- access and planning completed on time (noting that this is contingent upon adequate resourcing);
- degree to which predicted growth in future operating expenditure is within forecast levels

6. The Agency fails to identify and mobilise IT resources to meet the needs of actuarial and management reporting

As managers of an insurance scheme, the Agency relies heavily on access to accurate, comprehensive and timely data and performance information. The Board accepts that the current participant management system was built for an envisaged three-year trial period. Further, it was developed within compressed time frames, and before many of the fundamental aspects of Scheme design had been agreed by participating Governments. The Board concurs with the advice provided in the review of Agency capability, that this system is not fit-for-purpose for the full scheme.

The Board also recognises that, in preparing for launch, decisions were made about supporting IT business systems (financial and HR management, records management etc.) primarily on the basis of what could be deployed quickly, rather than what would best meet the Agency's needs into the future.

The Agency is in the process of securing funding for a longer-term IT solution that is fit-for-purpose and the Board's IT Committee is overseeing this work. The Scheme Actuary is prominently involved since her requirements are pre-eminent.

An important dimension to this project is investigating options that will give the Agency flexibility to meet changing operational requirements, while still providing value-for-money. It is the Commonwealth Government which will fund the system as part of the Agency's operating costs. Given the constrained fiscal outlook at the Commonwealth level, there is a risk that funding for the optimal solution will not be available, or will not be available within timeframes that meet the Agency's operating requirements in expanding to full scheme coverage, or will force the Agency to

adopt an ICT solution that is not the most appropriate to meet the Agency's business needs. The consequences of this are potentially very severe, in terms of both community confidence and the breach of intergovernmental agreements that would result. The Board will give high priority to convincing relevant stakeholders of the fundamental importance of a fit-for-purpose IT system.

Key Result Indicators

- timely and appropriate actuarial reports;
- financial condition and management reports;
- no significant integrity and/or audit issues;
- delivery of IT solution within timeframes and budget.

7. The scope and scale of participation exceeds Scheme design – more people with permanent and significant disabilities

Modelling for the Scheme design, and consequent agreements on funding, were based primarily on the work of the Productivity Commission. In turn, the Productivity Commission relied on the best information available at the time. The Board places a high priority on monitoring actual participation data and testing the assumptions of the Productivity Commission through actuarial modelling of experience with the Scheme. The importance of this effort increases as the Scheme expands, as it is critical to understanding the prevalence of disability in the Australian community.

It is possible that the number of eligible people with disability will exceed the projections used for Scheme design. The Board's Sustainability Committee is working closely with the Scheme Actuary to contribute to the considerations regarding actuarial modelling of financial sustainability, which will include an estimate of the eligible population. The Agency is working with appropriate officers in participating Governments to ensure that the implications of any significant variations to projections are addressed in a timely manner, and do not impact on the achievement of Scheme objectives. However, this remains largely beyond the control of the Board and would ultimately have to be resolved in consultation with participating Governments.

Of course, the Board has the capacity to influence the quality of decision making by Agency staff, and to ensure that the eligibility criteria in the legislation are properly applied. The Board scrutinises closely the results of the Agency's quality assurance regime. As part of the commitment to continuous learning, the Board also gives priority to the refinement of guidance to staff, to ensure that experience with the Scheme enhances decision making processes. The Board is confident that, insofar as it is able to influence the parameters within which staff makes decisions, the residual risk of incorrect decisions on eligibility is low.

Key Result Indicators

- number of participants;
- number of participants with approved plans;
- number of successful AAT reviews (eligibility decisions)

8. The scope and scale of supports exceed Scheme design – cost of reasonable and necessary supports

In addition to participant numbers, the other major cost driver for the Scheme lies with the packages of support. Individual packages vary widely in size according to the needs of participants and cost estimates are based on actuarial work done for the Productivity Commission.

The Sustainability Committee receives detailed reports from the Scheme Actuary on packages of support, disaggregated according to various factors including trial site, primary disability, and type and severity of support need. Actuarial monitoring works to compare the actual experience with

expected ranges and types of support by different cohorts. Analysis of these data forms an important part of the continuous learning processes of the Agency, and is used both to refine advice to staff on what constitutes "reasonable and necessary" support, and also to provide feedback to operational managers.

The Committee escalates issues for Board consideration as necessary. Its scrutiny of actuarial reports considers both the cost of packages against expected ranges, and also whether packages are structured to achieve participant outcomes effectively.

The Board is confident that management processes operate effectively to minimise the risk of uncontrolled or unnecessary expenditure at the level of individual packages.

The Board has limited capacity to control the support provider market, and pressures from providers to increase rates of reward for individual items of support. As part of its commitment to stakeholder engagement, the Board works to understand market and other cost drivers for providers, and to ensure that the rates it approves are reasonable. However unless supply of supports increases in line with demand it is to be expected that price pressures will emerge as more and more participants gain access to the Scheme. The Board will advise Governments promptly if this risk eventuates and will work with them to find the most acceptable and effective ways to alleviate cost pressures on the Scheme.

Key Result Indicators
Trends in:

- average annualised package size;
- distribution of annualised package sizes;
- number of support packages; and
- total package costs.
- Number of AAT appeals (funded supports decisions)

9. A reduction occurs in the level of family and community supports and in personal responsibility

The Board accepts that some reduction in voluntary contributions to care and support is a likely consequence of the achievement of Scheme objectives to promote participants achieving independence, where supports previously provided by families are funded under packages. The Board also accepts that supports to achieve economic participation may in some cases be in lieu of informal care arrangements. However, the Board is concerned to avoid the potential that misunderstanding in the community of the role of the NDIS lead to a withdrawal of existing informal supports that has the consequence of increasing demands from people with disability for support. To this end, the Board will be looking to measure the impact of Tier 2 supports in assisting people with disability.

The Board notes that costs and benefits of the Scheme need to be seen in the broader economic context, and that increasing the capacity of people with disabilities and their carers to engage in paid work is one of the major outcomes set for the NDIS by Governments. The Board is concerned to ensure that, as the Scheme grows, mechanisms are in place to estimate the broader economic impact of the NDIS.

However, the Board is also cognisant of the fact that Governments agreed a Scheme that included specific provision for the recognition of continued informal care arrangements in the mix of total supports provided to participants. To this end, the planning process considers participant goals, and existing informal care and mainstream supports, when discussing what additional supports it is reasonable and necessary to fund under the Scheme. The Board reports annually to the COAG Disability Reform Council on the proportion of carers with increased opportunities for social and

economic participation, and the proportion of carers receiving additional support. Through its Sustainability Committee, the Board also monitors the overall level of care provided to participants through funded packages of support, and actuarial data are being developed that will be used to monitor whether or not this falls within expected ranges.

Key Result Indicators
The extent to which the following fall within expected ranges:
- participants accessing mainstream services;
- successful referrals to mainstream services;
- community capacity/funding activities undertaken

10. The Agency fails to invest in a lifetime approach, including early intervention

The Board pays close attention to monitoring of long-term cost projections, noting that at this early stage of the Scheme's existence, the database supporting such analysis is comparatively small, and wide variances can be expected as the Scheme grows. The Board's strategies for managing this risk include ensuring staff understand and apply the insurance principles on which the Scheme is based, promoting and monitoring the longer-term return on investment from early intervention, and supporting and promoting a willingness to fund innovative approaches to supports and the ways they are delivered. The Board is also considering how to foster innovation as part of its consideration of market development issues.

In so doing, the Board accepts the risk of failure inherent in supporting innovation, and will tolerate such failures as long as the total costs involved are within reasonable levels. Initially, the Board is monitoring trends in outcomes from innovation, with the aim of setting tolerance levels when the evidence is sufficient to allow defensible measures to be established.

The Board also acknowledges that some early interventions will not deliver anticipated outcomes, and is prepared to accept this risk as long as overall levels of achievement of Scheme objectives remain high.

The Board's Sustainability Committee provides detailed scrutiny and oversight of strategies to manage this risk, as it is fundamental to the success of the Scheme being run on insurance principles. The Committee is examining methods to provide a robust estimate of baseline costs without intervention for the full scheme, which can be used over time to track the effectiveness of early intervention measures.

Key Result Indicators
- number of participants with early intervention supports;
- proportion with reduced future needs after intervention;
- research and innovation expenditure
- difference between actual scheme costs and projected baselines costs for full scheme.

Strategic Goal 3: The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency

11. Stakeholders perceive that the Scheme has failed to meet the needs of people with disability and/or is too costly

The Board's Stakeholder Engagement Strategy gives priority to active communication with stakeholders at all levels, including participating Governments, people with disability, their families and carers, the disability sector and the broader community. In this, the Board is assisted by the work of its Independent Advisory Council, which has a work plan focused heavily on consultation and feedback.

The Board is committed to open and transparent operations, including the provision of extensive information about the Scheme and the Agency on a website that is fully accessible. This includes publication of the Board's reports to the COAG Disability Reform Council, and reports from the Scheme Actuary, as well as promulgation of the rules and operating guidelines used by Agency staff in making decisions about eligibility and provision of supports. The Board also encourages feedback from stakeholders about any aspect of the Agency or Scheme operations, through the website, and through targeted consultations.

Additionally, the Board actively seeks feedback on the quality of service and performance of the Agency through participant satisfaction surveys. The NDIS website also includes a capacity for providing feedback, making complaints, and for participants to lodge appeals against decisions.

As part of its commitment to continuous learning, the Agency uses the technique of co-design workshops when developing or reviewing basic business processes for participants, their families and carers, and providers.

The hearings and reports of the Joint Standing Committee of the Commonwealth Parliament are a further source of information about the impact of the Scheme on participants.

The Board is of the view that its commitment to genuine engagement and communication with stakeholders, and its active management of the quality of service and performance of the Agency, work to ensure that this risk is well managed.

Key Result Indicators

- complaints /compliments;
- stakeholder satisfaction surveys;
- the Scheme Actuary reports negatively on financial sustainability.

12. Sufficient competent providers fail to emerge to meet the new and expanded demand for services

The capacity of the disability support sector to meet the new levels of demand that will be created by the NDIS, especially in full scheme rollout, is recognised by all Governments as a significant risk to the success of the Scheme.

This risk could manifest itself in either or both of two ways. First, existing providers may fail to make the transition from a model in which they receive block funding in advance for providing services to largely captive clients to one that focuses on attracting individual clients, and receiving payment in arrears. Secondly, new providers may fail to emerge in sufficient numbers to meet increased demand resulting in unmet need, services that are too costly, services that are of poor quality or some combination of these deficiencies.

The Board's capacity to mitigate this risk is limited, although it complements the activities of Commonwealth, State and Territory Governments in this area wherever practicable through prioritisation and deployment of the Sector Development Fund and by working with the relevant Commonwealth and State agencies to encourage increased capacity. The Board's Sustainability Committee receives regular reports from the Scheme Actuary on the levels of agreed support included in participant plans that is received or not received. The Board will advise Governments promptly if the Sustainability Committee considers that the level of supports not received exceeds acceptable rates.

The Board has established a schedule of pricing for individual supports, based on actuarial modelling, which it believes represents fair market rates. This is clearly a contentious area and the Agency works with the disability support sector to resolve disagreements over prices. While it is unlikely that full consensus will be reached there are examples in other regulated industries of

pricing models which produce satisfactory outcomes for providers. Ultimately there is a series of markets at work, many with low barriers to entry, so it is reasonable to expect that over time equilibrium between supply and demand will be reached.

The Board receives assurance on the quality of service provision from registered providers through compliance activities relating to ongoing eligibility for registration, and through reports on investigation of complaints from participants, their families and carers. Under the intergovernmental agreements that set the parameters for operation of the Scheme, though, the responsibility for quality and safeguards during the initial three year launch period remains with relevant State and Territory Governments. The Agency refers any complaints falling within State/Territory jurisdictions to the relevant agencies. Work is underway in the Agency on the development of a national quality and safeguards framework that will replace existing arrangements when the full scheme is rolled out. This work is being done in conjunction with State and Territory Governments.

The Board is conscious that this risk represents a significant threat to the overall success of the Scheme and is particularly acute in the transition phase. It will work actively with other Government agencies to help develop effective mitigation strategies.

Key Result Indicators

- service provider coverage and characteristics;
- participant/carer satisfaction

13. Sufficient qualified provider staff fail to emerge to meet the new and expanded demand for services

Workforce issues were canvassed extensively by the Productivity Commission, and these are being considered by relevant agencies in the Commonwealth, State and Territory Governments. The Board can provide valuable insights through monitoring levels of informal care and community support, as well as gaps between formal supports approved and provided. The Board will advise Governments promptly if the Sustainability Committee detects signs that workforce shortages – as indicated by waiting times for access to supports once plans are finalised - are exceeding reasonable levels of tolerance.

The Board is conscious that this risk represents a significant threat to the overall success of the Scheme and is particularly acute in the transition phase. It will work actively with other Government agencies to help develop effective mitigation strategies.

Key Result Indicators

- agreed supports received/not received;
- supports pricing compared with actuarial projections;
- complaints/compliments (provider quality related);
- performance of projects funded under sector development funds

14. The Agency fails to meet its reporting obligations to Governments and the Commonwealth Parliament

The governance arrangements surrounding the Scheme and its administration are unusually complex. The shared ownership of the Scheme is reflected in a set of reporting obligations that are set out in intergovernmental agreements and the *NDIS Act 2013*. In the main, these requirements are captured in the *NDIS Integrated Performance Reporting Framework*, which specifies monthly

provision of information at the level of officials, and quarterly and annual reports from the Board to the CDRC.

In addition, the Agency, as a Commonwealth statutory authority, has a separate set of accountabilities to the Commonwealth Government and Parliament which also involve extensive reporting obligations.

The Board's Audit and Risk Committee has primary responsibility for oversight of the Agency's compliance function to ensure that all accountability requirements are met.

The Board is committed to meeting its reporting obligations in full and on time in the interests of transparency and accountability. However, the Board notes that the totality of these formal reporting requirements imposes significant demands upon the Agency's resources, and in particular on the Scheme Actuary. The task is presently labour-intensive because of the limitations of the interim IT system. In discussions on the requirements for the longer-term IT solution, the Board has made clear that the new system must enable the Agency to meet Scheme and management reporting obligations efficiently and cost-effectively.

The Board appreciates the level of support and interest from stakeholders, and is keen to make information about the Scheme widely available. However, the Board notes that the level of information requests from non-Government sources is increasing, as is the number of requests for additional information from Governments outside the formal reporting requirements. The Board is concerned that these additional requests for information will impact upon the capacity of the Agency to meet the challenge of rolling out the Scheme in accordance with the agreed schedule.

The Board notes the provision in the COAG Intergovernmental Agreement for additional information requests from Governments to be provided on a cost-recovery basis. Thus far, the Board has chosen not to invoke this provision, in the interests of promoting transparency, although this decision is reviewed regularly in the context of monitoring additional demand.

The Board gives priority to fulfilling formal requirements, and if necessary, will take up the level of additional requests for information with relevant Governments.

Key Result Indicators

- timely and appropriate Government and public reports;
- no significant integrity and/or audit issues

15. The Agency fails to establish an organisational culture and management systems that foster accountability and continuous learning

The Board notes that the review of Agency capability it commissioned identified considerable scope for improvement in internal Agency governance and management. While not unusual in a start-up organisation, especially one operating within the compressed timeframes attendant upon the launch of the Scheme, the Board is concerned that failure to address those weaknesses now constitutes a risk to the Agency's capacity to deliver the outcomes of the Scheme. Accordingly, the Board required Agency management to produce an action plan to address the findings of the review of capability. The Board reviews implementation of this action plan at each meeting.

The Board accepts without question its responsibility to set clear strategic directions and performance expectations for the Agency, and to ensure these standards are achieved. The Board is confident of the Agency's capacity to do so, efficiently and effectively, in accordance with the action plan as amended from time to time in light of emerging circumstances.

The Board is determined that the Agency will be a learning organisation. The Scheme is currently in a trial phase and it is critical to its long term success that the lessons learned in this phase be absorbed and disseminated throughout the Agency so that support packages have the best chance of

achieving the desired outcomes for participants. Accompanying this culture of continuous learning will be a strong risk management culture so that mistakes are kept to a minimum and resources carefully husbanded. The Agency's Quality Management Framework, currently being developed, will provide valuable evidence on the extent to which these principles are operating in practice. The Board's commitment to transparency and accountability is dealt with under Risk 14 above. The Board notes the potential for reductions to the Agency's operating budget to compromise its capacity to build a high performing organisation. The Board will work with the Commonwealth Minister with the aim of ensuring that funding for Agency operations remains adequate to deliver successful outcomes in line with intergovernmental agreements.

Key Result Indicators

- timely and appropriate learning and development framework;

16. The Agency fails to attract and retain sufficient talented leaders and staff to meet the challenges of start-up and/or full scheme rollout

The Agency commenced operations on 1 July 2013 with a senior management cohort comprising principally officers seconded from other Government agencies. For the first few months the Board's main focus was on ensuring a successful launch of the Scheme. The Board then commissioned a review of capability to assess the extent to which the Agency was capable of meeting the challenges both of the trial phase and full scheme roll-out.

This review highlighted weaknesses in this area. In particular, the review identified the following capabilities to be built in the medium term: approaches to identifying and nurturing talent, a succession planning capability (to try and reduce 'key person' risk going forward) and the ability to fill key capability gaps through people management initiatives. The reviewers note that "this work is dependent upon the capacity of the new Senior Executive and the quality of support from the people area once it is settled."[7] The Board monitors progress with implementation of the action plan to address these findings at each meeting. The Board also expects that action plans will be developed by Agency management in response to findings from regular staff satisfaction surveys, now that these have commenced. As well as reviewing progress with these action plans, the Board will monitor changes in levels of staff satisfaction over time.

The Agency faces the challenge of recruiting staff in new offices and new launch sites in the lead up to full scheme rollout. The Board acknowledges that the scope of this risk is, to some extent, reliant on decisions about the shape of the service delivery network, especially in terms of functions retained in-house and possible outsourcing arrangements. The Board has no preconceptions about preferred forms of service delivery but aims to resolve these matters as soon as is practicable. The Board holds the CEO accountable for ensuring the Agency's people management and culture strategies deliver outcomes that fall within the ranges expected of high performing organisations, as measured in the annual State of the Service report from the Australian Public Service Commissioner.

A range of measures are being developed to enable the Board to monitor Agency capability, including a set of indicators specifically related to people and culture.

With a new Senior Executive team in place, these matters are within the Board's control to manage, and provided only that it has adequate resources the Board is resolved to manage them so that the residual risk around staff capability is low.

[7] A review of the capabilities of the National Disability Insurance Agency, January 2014, p. 24

Key Result Indicators

- staff turnover compared with APS averages;
- staff engagement as measured through regular staff surveys;
- percentage of staff achieving competency levels specified under the Agency's performance management system

Chapter 4: Risk Management Strategy

Consistent with the responsibilities of a Board, articulated in CPS 220, and in accordance with section 8 of the *NDIS Risk Management Rules*, the Board formulates a Risk Management strategy for the Agency which is to be approved by the COAG Disability Reform Council (CDRC).

The Board's approach is to ensure that risk management is integral to the way the Agency conducts its business. In this way, the Board seeks to ensure that the benefits of a structured approach to risk management are realised. The Board has defined these benefits as increasing the likelihood of the Agency achieving strategic and business objectives; encouraging a high standard of accountability at all levels of the organisation; supporting more effective decision making through better understanding of risk exposures; creating an environment that enables the Agency to deliver timely services and meet performance objectives in an efficient and cost effective manner; safeguarding the Agency's assets – human, property and reputation; and meeting compliance and governance requirements.

The Board develops the NDIS Strategic Plan (with a three year horizon), identifies key risks to achieving the objectives of the Strategic Plan (the Strategic Risks), and then articulates its attitude towards the management of them through the Risk Tolerance Statement.

Of particular importance is ensuring that risks to the achievement of the Board's strategic objectives are adequately addressed through the Agency's business planning processes.

Identifying risk during the business planning process allows the Board to set realistic delivery timelines for strategies and activities, or to choose to remove a strategy or activity if the associated risks are too high or unmanageable. The impact of changing risk levels over a given time period can then be mapped to the relevant objective, enabling more timely expectation management with key stakeholders.

The annual Agency Business Plan, approved by the Board, sets out Agency-wide priorities for action that give effect to the objectives of the Strategic Plan, including priorities for the management of the Strategic Risks. Responsibility for managing each Strategic Risk is allocated to members of the Executive (CEO, Deputy DEO and General Managers) in the Agency Business Plan, which has a twelve month horizon. Cascading from the Agency Business Plan are Divisional and Branch/Launch Site Business Plans, and, where appropriate, Section Business Plans. Each of these plans also has a twelve month horizon.

The responsibilities for management of the Strategic Risks are set out in Table 4 below.

Table 4: Responsibility for Strategic Risks

Strategic Plan Goal	Strategic Risks	Lead (and support) Management Accountability
1. People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities	1. The Agency fails to build the capacity of people with disability to exercise choice and control	GM Operations (GM Scheme Design)
	2. The Agency fails to promote the independence and social and economic participation of people with disability	GM Operations (GM Scheme Design)
	3. The Agency fails to establish mechanisms which effectively measure social and economic outcomes and exercise of choice and control	GM Operations (GM Scheme Design)
2. The National Disability Insurance Scheme (NDIS) is financially sustainable and governed using insurance principles	4. The Agency fails to meet support package needs within available funding envelopes	CFO (GM Operations)
	5. The Agency fails to deliver operational capability within available funding envelopes	CFO (GM Operations)
	6. The Agency fails to identify and mobilise IT resources to meet the needs of actuarial and management reporting	CFO (Scheme Actuary)
	7. The scope and scale of participation exceeds Scheme design – more people with permanent and significant disabilities	GM Scheme Design (Scheme Actuary)
	8. The scope and scale of supports exceeds Scheme design – cost of reasonable and necessary supports	GM Scheme Design (Scheme Actuary)
	9. A reduction occurs in the level of family and community supports and in personal responsibility	GM Scheme Design (Scheme Actuary)
	10. The Agency fails to invest in a lifetime approach, including early intervention	Scheme Actuary (GM Operations)
3. The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency	11. Stakeholders perceive that the Scheme has failed to meet the needs of people with disability and/or is too costly	GM Governance (Scheme Actuary)
	12. Sufficient competent providers fail to emerge to meet the new and expanded demand for services	GM Scheme Design (GM Operations)
	13. Sufficient qualified provider staff fail to emerge to meet the new and expanded demand for services	GM Scheme Design (GM Operations)
	14. The Agency fails to meet its reporting obligations to Governments and the Commonwealth Parliament	GM Governance (CFO)
	15. The Agency fails to establish an organisational culture and management systems that foster accountability and continuous learning	GM Governance (GM Operations)
	16. The Agency fails to attract and retain sufficient talented leaders and staff to meet the challenges of start-up and/or full scheme rollout	GM Governance (GM Operations)

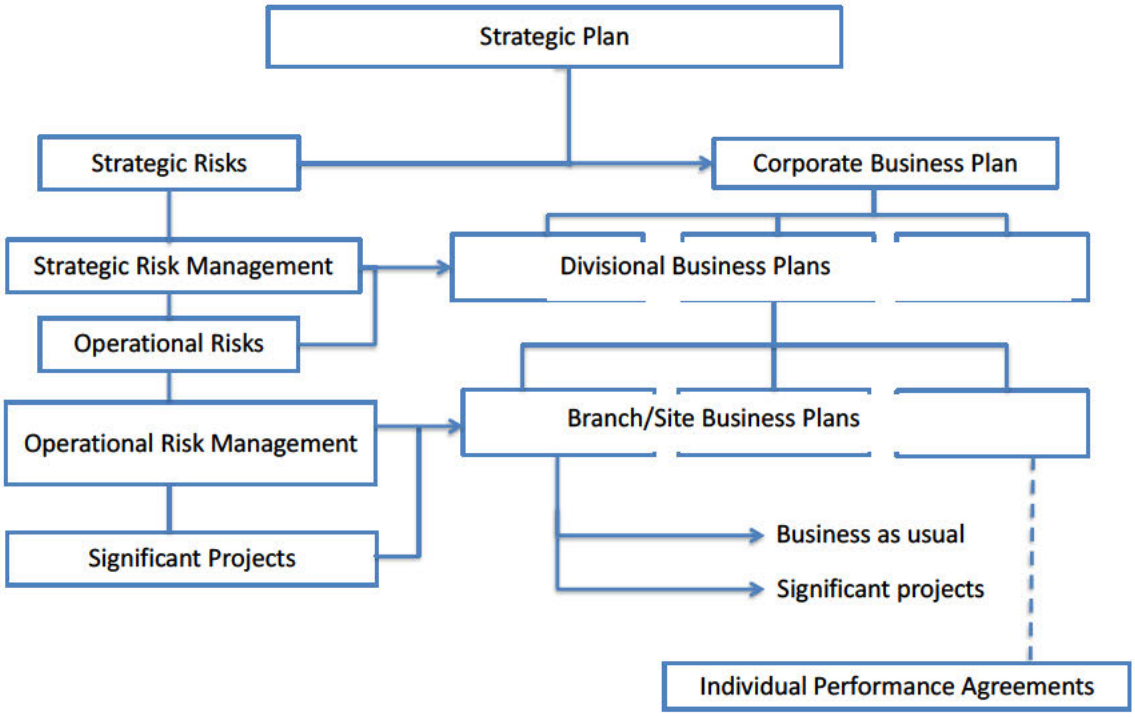
In their Divisional Business Plans, General Managers outline management strategies for the Strategic Risks, identify operational risks that sit below each Strategic Risk, and allocate responsibility for management of them. Branch/Launch Site Managers then develop treatment strategies for the operational risks in their individual business plans. Operational risks are, essentially, the risks to "business as usual" deliverables that contribute to the achievement of strategic objectives. Additionally, the Board has identified a number of projects of strategic significance – projects where additional, time-limited effort is needed to ensure the achievements of objectives. Examples include the fit for purpose ICT solution, expansion of the Scheme to new launch sites (ACT, WA and the NT in

the first instance), and market development. These projects are monitored by the Board separately from regular management performance reports.

Risks to the successful delivery of projects are assessed and treated as part of the project management process, with accountability vested at the Branch Manager level.

This relationship is set out diagrammatically in Figure 1 below.

Figure 1: Business Planning –Risk Management Relationship



Although individual members of the Executive manage strategic and operational risks, information about the risks, existing controls, mitigation strategies, and progress with implementing any remedial actions is collated centrally by the Chief Risk Officer. This allows the Board to obtain comprehensive and current advice on the status of risk management activities on an Agency-wide basis. Regular reports are provided to the Audit and Risk Committee and to the full Board.

Figure 2: Risk Profile – Management of Strategic Risks – Summary Findings

LIKELIHOOD/ CONSEQUENCE	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain					
Likely				8	
Possible				2, 3, 7, 8, 11, 12, 13	1,4,5,6,9
Unlikely				10, 15, 16	14
Rare					

ILLUSTRATION ONLY

Risk Governance

The Board is ultimately responsible for ensuring efficient and effective risk management in the Agency. Under the *NDIS Risk Management Rules*, this specifically includes responsibility for the preparation of a written risk management strategy; for ensuring that the Agency has a sound risk management culture; that the Agency's senior management take all steps necessary to monitor and manage material risks likely to be faced by the Agency; that the Agency's operational structure facilitates effective risk management; that the Agency develops policies and processes for making decisions affected by risk that are consistent with the Risk Management Strategy; and that the Agency dedicates sufficient resources to risk management.[8]

Consistent with CPS 220, the Board's responsibilities include ensuring that risk management functions have adequately experienced staff with relevant technical knowledge and experience to facilitate the development, ongoing review and validation of the risk management framework, and appropriate seniority and authority with independent reporting lines to the responsible board committees.[9]

The Board fulfils its responsibilities for managing risk with advice from the Audit and Risk Committee, which is responsible for monitoring the risk management process and providing independent assurance and assistance on risk management to the Board. The Sustainability Committee pays particular attention to the management of risks around financial sustainability including the achievement of outcomes by participants. The full Board regularly considers reports on the management of risks to the achievement of its strategic objectives, and reviews progress with the management of projects of strategic significance.

Recognising the importance of managing prudential risk, the Audit and Risk Committee and the Sustainability Committee work closely to ensure the integration of risks identified by the Scheme Actuary into broader Agency-wide risk management mechanisms. The Scheme Actuary also has a standing invitation to attend meetings of the Audit and Risk Committee as an observer.

[8] *Risk Management Rules 2013*, section 4.

[9] APRA, *Draft Prudential Practice Guide – CPS 220 – Risk Management*, January 2014, p. 18

Role of the Scheme Actuary

The NDIS legislation emphasises the Scheme Actuary's role in assessing the financial sustainability of the scheme and advising the Agency and Board of any risks to financial sustainability. Specifically under Section 180B of the NDIS Act and Rules, the Scheme Actuary in her annual report must:

- Assess the financial sustainability of the NDIS
- Assess risks to that sustainability, consider the causes of any risks, and discuss recommendations to manage or address these risks.
- Include in her annual financial sustainability report a discussion of the Agency's risk management arrangements (all systems, structures, cultures, processes, policies and people that identify, assess, mitigate and monitor all sources of risk, both internal and external to financial sustainability) and any recommendations in relation to any inadequacies.

The proposed strategic risks (in line with the strategic plan) are grouped in three broad categories:

a. People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities.
b. The NDIS is financially sustainable and governed using insurance principles
c. The community has ownership, confidence and pride in the NDIS and the NDIA.

The Scheme Actuary plays a direct role in monitoring and identifying risks, causes of risks, and mitigation strategies for the strategic risks in (b) above. In fact actuarial analysis is a key risk mitigation strategy in itself with regards to scheme financial sustainability. Actuarial analysis is up to date, monitors actual experience against expected experience (and provides information on deviations), and projects expenditure based on scheme experience. This allows risks to financial sustainability to be identified early, and strategies put in place to mitigate these risks.

Once the Scheme Actuary has identified risks – usually in the quarterly actuarial report, these risks need to feed into the Agency's risk management process. Specifically, these risks should feed into the Risk Register Report through the risk champion for the sustainability, actuarial and reporting division. These risks, along with other risks identified by other divisions, should then be appropriately acted upon, and monitored, using the risk management process outlined in the Risk Management Manual. These risks should also be monitored closely in the Risk Treatment Action reports.

The Scheme Actuary has broad oversight of all risks identified and the processes for mitigating these risks through involvement in the following committees:

- Assurance, Audit and Risk Committee (which reviews reports on operational and technical risks, and identifies new and emerging risks);
- Strategic Risk Committee (reviews the risk profile reports, the risk treatment actions report, and the new and emerging risk reports);
- Audit and Risk Committee (sub-committee of the Board); and
- Sustainability Committee (sub-committee of the Board).

The Scheme Actuary will also continue to report on the risks she identifies in the quarterly actuarial reports.

The Chief Executive Officer (CEO) has overall responsibility for how risks are managed by the Agency. The CEO and Executive Management Group meet regularly as the Strategic Risk Committee to monitor risks to the achievement of the Agency's strategic plans and goals, and the management of strategic risks identified by the Board. The Executive is also responsible for ensuring key risks to NDIA's objectives are identified, understood and adequately managed. In line with the three lines-of-defence risk governance model identified by APRA in CPS 220, the CEO and Executive Management Group are responsible for ensuring that risk ownership is clearly defined, and that the risk management framework is effectively implemented and supports decision-making.

Two management committees monitor the management of risk within the Agency. The Strategic Risk Committee reviews actions to mitigate strategic risk, and provides advice to the Audit and Risk Committee and to the Board. The Assurance, Audit and Risk Committee focuses on the management of operational and project risks, escalating where appropriate to the Strategic Risk Committee. This Committee also monitors the implementation of technical risk management plans, that is, plans that are required to address specific subjects, such as work health and safety, and fraud control. These technical risk management plans sit alongside the operational risk management plans, and responsibility for them is vested in designated Branch Managers.

Managers at all levels – risk owners - are responsible for satisfying themselves that the key risks relating to their area of business are being managed appropriately and that they can provide assurance of this where required. This includes effective implementation of the risk management framework, including reporting and escalation of the relevant information to the Board, board committees and responsible management as appropriate, and in accordance with the governance arrangements agreed by the Board. It also involves managing risk in a way that is consistent and integrated with the risk management framework, and includes issues identification, recording, escalation and management; as well as the effective management or mitigation of risks.

The governance framework enables the management of risk to be integrated into all key business functions, processes, systems, programs and projects. It also provides a sound foundation for the Board and the CEO to make informed decisions which assure that proper controls are in place and that risks are well managed.

Risk influences the outcome of work at every level of the NDIA's operating environment, so staff at all levels carry responsibility for managing risk. As part of implementing this Strategy, the Board has required management to incorporate a risk management methodology in its business planning and performance evaluation processes, enabling managers and others to identify, communicate and treat risks at the strategic, enterprise and operational levels

Key roles and responsibilities for staff at all levels in the Agency, as well as Board members, are summarised in Table 5 below.

Table 5: Risk Management Roles and Responsibilities

Position	Roles and Responsibilities
NDIA Board	The Board approves the overall risk strategy, and determines its appetite and tolerance for risk. It receives risk reports by exception and directly monitors the treatment of any risk that falls outside risk tolerances (as communicated in the risk appetite statement), and those of particular strategic importance. The Board, after the end of each financial year of the Agency's operations that commences after 30 June 2013, provides the COAG Disability Reform Council with a risk management declaration signed by at least two Board members on behalf of the Board.
Audit and Risk Committee	The Audit and Risk Committee oversees the development and implementation of the risk management strategy and the tools and templates to assist staff to implement and practice risk management. On an ongoing basis the Committee provides assurance to the Board, independent of management, on the effectiveness and efficiency of NDIA's risk management strategy and framework, the identification and management of risks and advises on whether the internal audit plan is 'risk informed'. The Audit and Risk Committee also notifies the Board of any significant breach of, or material deviation from, the risk management strategy or framework

Position	Roles and Responsibilities
Sustainability Committee	The Sustainability Committee is responsible for monitoring and reporting to the Board on the sustainability of the Scheme and whether Scheme objectives are being met. It does this through monitoring eligibility and access to the Scheme by participants, increases in the cost of reasonable and necessary support and achievement by participants of their individual goals. It also provides advice to the Board on potential changes to the legislation or other regulation.
Scheme Actuary	The NDIS legislation emphasises the Scheme Actuary's role in assessing the financial sustainability of the Scheme and advising the Board of any risks to financial sustainability. In carrying out this responsibility, the Scheme Actuary works closely with the Sustainability Committee. Risks identified by the Scheme Actuary, either to financial sustainability or to the achievement of participant outcomes, are fed into the Agency's risk management process.
Chief Executive Officer (CEO)	The CEO has ultimate accountability and overall responsibility for the Agency's performance, including the accountability for management of risk in the delivery of the Scheme's outcomes.
General Managers	General Managers are responsible for identifying, documenting, prioritising, monitoring and treating all material risks in their divisions. Executives will implement the risk management strategy and framework, promote and encourage the use of risk management tools and processes in their divisions, ensure risk management plans are regularly reviewed and updated, and monitor risks.
Risk Owners	Risk owners – usually General, Branch or Site Managers – are responsible for the implementation and ongoing maintenance of the risk management framework, including the identification and effective management/mitigation of risks, and issues identification, recording, escalation and management.
Chief Risk Officer (CRO)	The Chief Risk Officer assists the Board and senior management by providing independent and objective review and challenge, oversight, monitoring and reporting in relation to risk to the Agency's business operations. The CRO works with other managers to establish effective risk management in their areas of responsibility. The CRO has independent access to the Audit and Risk Committee and has the resources to help effect appropriate enterprise risk management across divisions, functions, and activities. The CRO has responsibility for monitoring progress and for assisting other managers in reporting relevant risk information up, down, and across the NDIA.
Strategic Risk Committee	The Agency's CEO and General Managers will meet as the Strategic Risk Committee at least once a quarter. The SRC will monitor risks to the achievement of the Agency's strategic plans and goals, and the management of strategic risks identified by the Board. It will report quarterly to the Audit and Risk Committee.
Assurance, Audit and Risk Committee	The Assurance, Audit and Risk Committee is responsible for internal advice and assurance to the Executive Management team and the CEO on relevant matters within the Agency. This Committee will have primary responsibility for Agency-wide operational risk management.
Agency Fraud Manager	The Agency Fraud Manager is responsible for working with key stakeholders to identify and develop responses to key fraud risks, development of systems and processes to operationalise and manage the Agency's fraud response

Position	Roles and Responsibilities
Divisional/Launch Site Risk Officers (Risk Champions)	Each General Manager and Launch Site Manager will nominate an individual to co-ordinate risk management activities within that organisational unit. Division/Launch Site Risk Officers will act as "risk champions" by promoting awareness and assistance with the delivery of risk management activities; assist with the identification, assessment, mitigation and monthly tracking of risks across the Division/Launch Site; and report monthly to General/Launch Site Managers on the status of risk issues.
All Staff	All staff carry the responsibility for the identification and management of risks that impact on their work areas. All staff should recognise, communicate and respond to expected, emerging or changing risks and contribute to the development and implementation of risk treatments. In practice, this means that NDIA staff: • must be familiar with the Agency's risk management strategy and policy; • are encouraged to alert their managers to the presence of risks and participate in their management; and • are encouraged to make use of the tools available to them so that they are better able to identify and manage risks in the workplace.

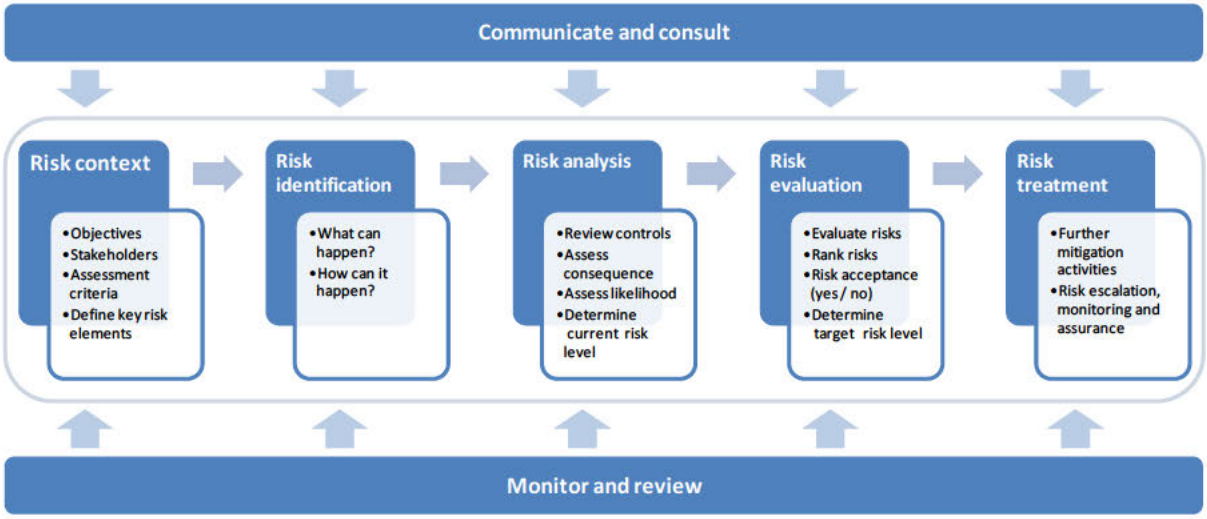
The Risk Management Process

The processes used for managing risk in the Agency are closely aligned with the Australia/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009). This involves seven key steps:

- Step 1 - Communicate and consult;
- Step 2 - Establish the context;
- Step 3 - Identify risks;
- Step 4 - Analyse risks;
- Step 5 - Evaluate risks;
- Step 6 - Treat risks; and
- Step 7 - Monitor and review.

The linkages between each step in the process are set out in Figure 3 below.

Figure 3: The NDIA's Risk Management Process



Following this process at all levels of risk management – strategic, operational, project or technical – ensures that the Agency's approach to risk management is both comprehensive and consistent.

Step One – Communicate and Consult

Communication and consultation with internal and external stakeholders is important through all stages of the risk management process to ensure the NDIA has a comprehensive picture of the risks in its operating environment.

External communication and consultation is targeted at informing external stakeholders of the NDIA's risk management approach; the effectiveness of that approach; and requesting feedback where appropriate. It is mainly directed at the level of the strategic risks, and as such, will primarily be the responsibility of the Board and the CEO, informed as appropriate by the General Managers. In the case of consultation with Governments, through the CDRC, the Chair of the Board and the CEO have major carriage.

As part of its commitments to transparency and inclusiveness, the Board also seeks comment and engagement from participants and other interested stakeholders through the NDIS website.

Internal communication and consultation is aimed at informing internal stakeholders of the key strategic risks and their responsibilities relating to the management of these risks, as well as seeking their contribution to the identification and mitigation of operational risks. It is mainly facilitated by Divisional and Branch/Trial Site Managers supported by the Assurance, Audit and Risk Committee and the Chief Risk Officer.

Step Two – Establish the Context

This involves stating the objectives of the Agency up front, as clearly as possible, in order to identify risk areas precisely, and consider their potential impact on Scheme outcomes. It means considering:

The external context

Building an understanding of external stakeholders, and the extent to which the external environment will impact on the ability to achieve corporate objectives, by considering the business, social, regulatory, cultural, competitive, financial and political environments in which the Agency operates; and the Agency's strengths, weaknesses, opportunities and threats.

The internal context

Building an understanding of organisational elements and the way they interact, including governance, organisational structure, roles and accountabilities; policies, objectives, and the strategies that are in place to achieve them; capabilities (people, time, systems, processes, technologies and capital); the relationships with and perceptions and values of internal stakeholders; the organisation's culture; information systems, information flows and decision making processes (formal and informal); standards, guidelines and models adopted by the Agency; and the form and extent of contractual relationships.

By paying attention to these and other relevant factors, the Agency can ensure that the risk management approach adopted is appropriate to the circumstances, and is supported by an appropriate level of resourcing.

Step Three – Identify Risks

This step involves reviewing as many sources of risk as possible, to identify the risks that could impact on the achievement of the Agency's objectives. Because unidentified risks can always pose a major threat, it is important to take care to ensure that the NDIA maintains an open perspective on all possible threats and opportunities.

Key information sources to consider include the NDIA Strategic, Corporate and Business Plans; internal and external audit reports; post-event or post-implementation reviews; and local and overseas experience. Risks can be identified using various tools and techniques, some of which have been condensed into templates to assist in the risk identification process.

By considering these, the aim is to identify a comprehensive list of risks that could adversely impact the achievement of Agency objectives, as well as risks associated with not pursuing opportunities that could foster the achievement of objectives.

Step Four – Analyse Risks

Once a risk is identified, it is important to describe it adequately. A comprehensive risk analysis will include consideration not only of a particular risk event, but also of its causes and consequences. For example:

Event	Cause	Impact
High staff turnover	Staff job dissatisfaction	Inability to achieve strategic objectives

Risk analysis involves identifying the likelihood of the risk occurring, identifying the potential consequence or impact that would result if the risk was to occur; identifying

the controls currently in place to manage those risks by reducing either the consequence of the risk, or its likelihood; and assessing the effectiveness of current controls.

Controls are aimed at bringing the risk within an acceptable level. When evaluating the effectiveness of current controls, the factors to consider include consistency of application, understanding of control content; and documentation of controls (where appropriate).

The NDIA has a three tier process for evaluation of current controls. The first and primary level is the self-assessment of the adequacy of controls, that is, those with direct responsibility for managing the risk evaluate the effectiveness of controls they have put in place. The second level is the internal audit program, which provides independent assurance to management and the Board about the effectiveness of controls across the Agency. The third level is the Australian National Audit Office (ANAO) review of Agency controls which provides assurance to the Commonwealth Parliament (and to State and Territory Governments as required) about their effectiveness.

Risks are then analysed and rated after consideration of current controls, in accordance with a standard risk matrix.

The criteria against which risks are assessed and actions planned are the outworking of a likelihood, consequence and impact rating system. Risk impacts are assessed at the strategic, operational and project level as applicable.

Table 6: Likelihood Scale

Likelihood	Definition	Annual likelihood
Almost Certain	Is expected in most circumstances	>90%
Likely	Will probably occur in most circumstances	50 – 90%
Possible	May occur at sometime	20 - 50%
Unlikely	Could occur at sometime	10 – 20%
Rare	May occur in exceptional circumstances	<10%

Table 7: Consequence Scale

Impact /Areas	Brand / Reputation / Media	Regulatory / External Factors	Operations / Business Performance	Financial / Budgetary
Catastrophic	• Irreparable loss of owner (Commonwealth Government) / community confidence • Customer complaints increase in 6 months on average >25% on previous • An incident that results in a single or multiple death(s) of a client(s), or an incident with potentially serious or life threatening consequences for a large number of people	• Extreme breach of statutory obligations • Systemic failure of governance oversight • Very serious or multiple adverse findings (Category A) by the external auditor (ANAO) • Senior Agency officer being subject to a criminal prosecution	• Cannot serve clients for > 4 weeks • Unable to pay packages for > 4 weeks	• Budget impact greater than 20% of current annual budget
Major	• Multiple adverse Shareholder & Media attention across a number of media formats • Parliamentary enquiry • Unable to appoint quality candidates for executive roles / Board members • Complaints increase in 6 months on average between 3% & 5% on previous • An incident with potentially serious or life threatening consequences for the person	• Serious legislative non-compliance • Individual or one-off serious finding (Category A) by the external auditor (ANAO)	• Cannot serve clients for 2-4 weeks • Systemic errors affecting the quality of service provided to clients • High turnover of key operational staff	• Loss or potential loss between 5% and 20% of current annual budget
Moderate	• Multiple adverse media attention with high profile reporting in one media format • Complaints: Increase in 6 months on average less than 3% on previous • An incident that causes significant injury to a person • An incident where employee negligence appears to be a contributing factor	• Isolated issues of legislative non-compliance • Significant finding (Category B) by the Auditor or external auditor (ANAO)	• Cannot serve clients for 1-2 weeks • Consistent errors affecting the quality of service clients • Loss of senior operational staff • Prevent continuous improvement and product innovation	• Loss or potential loss between 2% and 5% of current annual budget

Impact /Areas	Brand / Reputation / Media	Regulatory / External Factors	Operations / Business Performance	Financial / Budgetary
Minor	• Isolated adverse media attention • Isolated complaint by a stakeholder • An incident that requires in-house treatment or corrective action but no ongoing interventions	• Finding (Category C) by the external auditor (ANAO)	• Cannot serve clients for 1-5 days • Errors affecting the quality of service provided to clients • Unable to resolve client complaint • Turnover of operational staff	• Loss or potential loss between 1% and 2% of current annual budget
Insignificant	• Isolated employee / client complaint • An incident with little or no adverse impact on the person's physical or mental health, and of short duration	• One-off, technical legislative breach limited in scope and duration, resulting in no effect on clients, suppliers and internal & external parties	• Isolated member / customer complaint • Isolated operator errors affecting the quality of service provided to clients	• Loss or potential loss is trivial.

Overall Impact

The overall impact is assessed as a weighting of the two dimensions as shown below.

Table 8: Overall Impact

	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Moderate	Moderate	Significant	High	High
Likely	Low	Moderate	Significant	Significant	High
Possible	Low	Low	Moderate	Significant	Significant
Unlikely	Low	Low	Low	Moderate	Significant
Rare	Low	Low	Low	Moderate	Moderate

Step Five – Evaluate Risks

The risk evaluation stage involves using the results of the risk analysis to determine whether additional actions need to be taken to manage risks, and the priorities for treatment implementation.

This involves determining whether the risk, with the current level of controls, is *acceptable* or *unacceptable* to the Agency in accordance with the Board's risk tolerance statement.

Actions to be taken by risk owners are determined in accordance with the overall impact rating, derived from the risk matrix and described below.

Table 9: Risk Actions for Impact Ratings

Low	Moderate	Significant	High
Risk meets the NDIA's risk threshold and requires periodic confirmation that controls continue to be in place. Low risks are acceptable. Low risks should be reviewed annually as part of risk management planning to determine whether the risk identification and analysis remain aligned with the operating environment.	Risk meets the NDIA's risk threshold and requires regular review of risk levels. Moderate risks may be acceptable in the absence of cost effective mitigations. Moderate risks should be reviewed annually as part of risk management planning to determine whether the risk identification and analysis remain aligned with the operating environment	Risk exceeds the NDIA's risk threshold and requires PROMPT attention. Significant risks should only be accepted following consultation with the Chief Executive Officer and in the absence of cost effective mitigations. The Chief Executive Officer will review progress in treating Significant risks and report to the Audit and Risk Committee.	Risk exceeds the NDIA's risk threshold and requires URGENT attention. High risks require urgent attention. They are unacceptable without mitigating controls. All risks assessed as High will be reviewed by the CEO monthly and reviewed by the Audit and Risk Committee Quarterly.

Step Six – Treat Risks

Treatment actions are required where the current controls are not managing the risk within acceptable tolerance levels.

There are a number of ways of treating risk:

- Avoid the risk – change a business process or objective so as to avoid the risk, or decide not to start or continue with the activity that gives rise to the risk;
- Remove the risk source;
- Change the likelihood – undertake actions aimed at reducing the cause of the risk;
- Change the consequence – undertake actions aimed at reducing the impact of the risk;
- Share/transfer the risk – transfer ownership and liability to a third party, for example, through a contractual arrangement;
- Retain the risk – accept the impact of the risk; and
- Increasing the risk in order to pursue an opportunity.

When determining the preferred treatment option, consideration is given to the cost compared to the likely benefits that will be derived, including the risk reduction that will result, but also considering legal, regulatory and other requirements such as social responsibility and the social contract between the Agency and Scheme participants. Decisions also take into account risks which

can warrant treatment other than on economic grounds, such as risks to the Agency's reputation, or levels of public confidence in the integrity of the Scheme.

At this stage, it is also important to plan how to communicate risk treatments to relevant stakeholders, and to consider the potential impact of the treatment on them. This is particularly so where risks are to be transferred, retained or increased.

Once the preferred treatment option has been selected, the cost of any actions is incorporated into the relevant budget planning process; a responsible person is designated for delivery of the action, and performance measures are determined.

The preferred option is documented in a risk treatment plan that sets out how the chosen risk treatment will be implemented. Treatment plans include the reasons for selection of treatment options, including expected benefits to be gained; those who are accountable for approving the plan and those responsible for its implementation; proposed actions; resource requirements including contingencies; performance measures and constraints; reporting and monitoring requirements; and timing and scheduling.

Risk treatment plans are also incorporated into other Agency processes, such as business or project management plans.

Risk treatment involves a cyclical process of assessing the treatment; deciding whether residual risk levels are tolerable; if not, generating a new risk treatment; and assessing the effectiveness of that treatment.

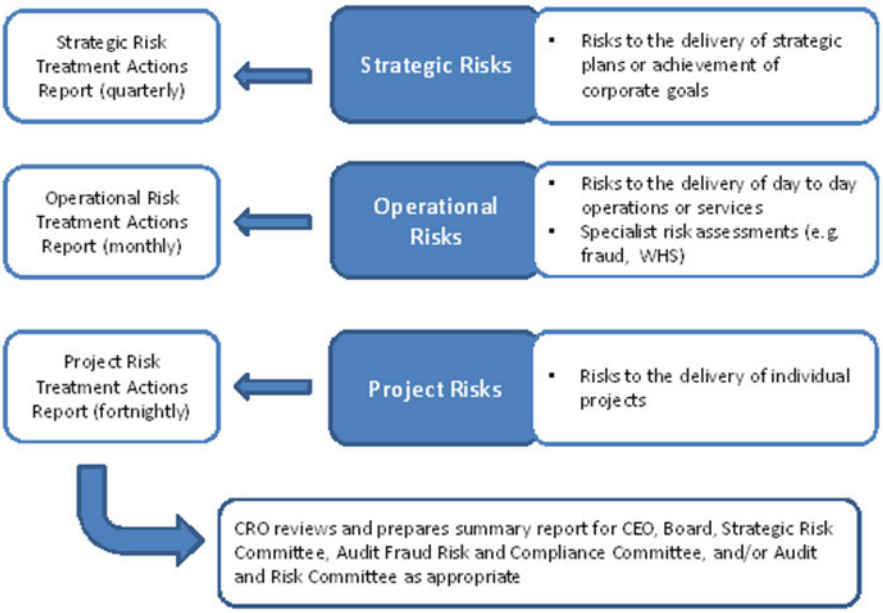
This has been built into the risk reporting process used in the Agency, and so occurs at intervals determined by the nature of the risk and the priority accorded it by the Board or senior management.

Step Seven – Monitor and Review

The Agency's risk monitoring and review processes are aimed at ensuring that controls are effective and efficient in both design and operation; obtaining further information to improve risk assessment; analysing and learning lessons from events (including near misses), changes, trends, successes and failures; detecting changes in the external and internal context, including changes to risk criteria and the risk itself, which can require revision of risk treatments and priorities; and identifying emerging risks.

Risks are monitored and reported at a strategic, operational and project level, as shown in Figure 4 below.

Figure 4: Risk monitoring and reporting



Key elements of the risk monitoring and review arrangements include:

- Strategic risks are identified and assessed by the Board annually and reviewed by the Audit and Risk Committee at each meeting
    - The management of particular risks, identified by the Board, may be reported more frequently to the Board if appropriate;
- Operational risks are reviewed annually as part of the business planning cycle, and management of them is reviewed monthly by executive managers, with High risks reported to the Audit and Risk Committee quarterly;
- Targeted risk assessment of specialist risks including compliance, business continuity, workplace health and safety and fraud are undertaken in accordance with legislative requirements;
- Project risk assessments are undertaken for significant projects and monitored fortnightly through the project governance arrangements.
- The Sustainability Committee reviews risks associated with Scheme sustainability and participant outcomes at each meeting, and reports on them to the Audit and Risk Committee and the Board;
- The Risk Management Framework, and all its components are subject to an independent review by internal audit; and
- The Board provides annual declarations on the adequacy and effectiveness of risk management and compliance activities, as required by paragraphs 7 and 10 of the *Risk Management Rules*.

Risk Reporting

Reporting is a key element of the "monitor and review" phase of the risk management process. The Agency's risk management reporting is designed to support a formalised, structured and comprehensive approach to the monitoring and review of its risks.

Risk Management Reporting Responsibilities

Key risk management reporting responsibilities are set out in Table 10 below.

Table 10: Risk Management Reporting Responsibilities

Role	Responsibilities
Board	• Review reports • Communicate to Agency management priorities and issues raised from consideration of risk information reports • Identify new and emerging risks
Audit and Risk Committee	• Review reports • Communicate risk information issues to Agency management • Communicate key risk issues to the Board • Identify new and emerging risks
Sustainability Committee	• Communicate key risk issues to the Audit and Risk Committee and the Board
CEO	• Review reports • Closely monitor high risks • Identify new and emerging risks
Strategic Risk Committee	• Review reports • Communicate key strategic risk issues to the Audit and Risk Committee • Identify new and emerging risks
General Managers	• Review reports • Communicate key strategic risk issues to the Strategic Risk Committee • Identify new and emerging risks
Assurance, Audit and Risk Committee	• Review reports on operational and technical risks • Communicate key risk issues to the Strategic Risk Committee • Identify new and emerging risks
Risk Owners (Strategic, Operational and Project)	• Monitor and review the risks which they own • Prepare reports for the risks which they own • Provide the Chief Risk Officer with information on the risks which they own • Identify new and emerging risks
Chief Risk Officer	• Prepare reports for the Audit and Risk Committee • Provide guidance to risk owners on the management of their risks • Prepare the suite of reports set out in Table 7 below • Maintain organisational risk registers • Identify new and emerging risks
Management and staff	• Monitor and review risks within their areas • Identify new and emerging risks

Risk Escalation

Risk escalation is essential to ensuring that risks are known and understood by the people with the authority to manage them appropriately in the Agency. If the risk is potentially high and requires allocation of substantial risk treatment resources, then it is managed at the Division/Trial Site level. The Board has overall accountability for managing risks and therefore, where a risk poses a high threat, the Board is informed immediately, through the Chair of the Board in urgent cases or the Chair of the Audit and Risk Committee in other cases.

Because previously unidentified risks can become apparent at any time during the year, everyone has the ability to identify new and emerging risks.

When a staff member identifies a new or emerging risk, they are required to raise the matter with their immediate supervisor/manager, and to work with them to undertake a risk assessment. Initial escalation should be to the Branch or Trial Site Manager where a preliminary judgement can be made about the severity of the risk.

Branch and Trial Site Managers review the risk information provided and, as appropriate, institute treatment action or escalate it to their General Manager and the Chief Risk Officer. They consider the information provided and escalate as necessary to the CEO.

If the risk has implications across more than one Branch or Trial Site, the General Manager and Chief Risk Officer consult with other General Managers, as appropriate, before raising the matter with the CEO.

Risk Reports and Recipients

The Chief Risk Officer co-ordinates the preparation of a suite of reports on risk management across the Agency, based on input from accountable managers. The reporting regime, including target audience and frequency, is set out in Table 11 below.

Table 11: Report Recipients and Frequency

Audience	Report	Frequency
Board	Strategic Risk Report • Strategic risk profile • Strategic risk treatment status summary • Strategic risk treatment status details • KRI report • Assurance coverage report	Quarterly
Audit and Risk Committee	Strategic Risk Report • Strategic risk profile • Strategic risk treatment status summary • Strategic risk treatment status details • KRI report • Assurance coverage report Risk Management Implementation Plan Update	Quarterly
Strategic Risk Committee	Strategic Risk Report • Strategic risk profile • Strategic risk treatment status summary • Strategic risk treatment status details • KRI report • Assurance coverage report Risk Management Implementation Plan Update New and emerging risks report Operational and project risk issues	Quarterly

Audience	Report	Frequency
Assurance, Audit and Risk Committee	Strategic Risk Report • Strategic risk profile • Strategic risk treatment status summary • Strategic risk treatment status details • KRI report • Assurance coverage report Risk Management Implementation Plan Update New and emerging risks report Operational and project risk issues Operational Risk Report • Operational risk profile • Operational risk treatment status summary • Operational risk treatment status details • KRI report Project Risk Status Report (by exception) Risk Management Implementation Plan Update	Bi-monthly
Agency SES Meeting	Project Implementation Report	Monthly

Review and Approval

The scope, content and schedule of reports are reviewed annually by the Board Audit and Risk Committee.

Access to Risk Management Reporting Framework

The Chief Risk Officer and the Risk Management Group maintain all reports and risk registers.

Communication and Culture

There are three key elements in the Board's approach to ensuring the development of a healthy risk management culture across the Agency.

First, responsibilities and accountabilities for risk management are clearly delineated, and reflected as appropriate in individual position descriptions and performance agreements. The allocation to senior executive managers of responsibility for managing strategic and operational risks reinforces the priority given by the Board and the CEO to ensuring effective risk management aligned to the achievement of strategic goals. Senior managers are encouraged to engage with the CRO in developing strategies to mitigate risk.

Secondly, training is provided to all staff, tailored to roles and responsibilities. So, for example, general risk management and awareness training is provided by the CRO as part of the general onboarding program. This covers basic concepts and principles, an outline of the key components of the Risk Management Strategy and Framework, and a discussion of the responsibilities of all staff in relation to risk management. An elearning-based course is also being developed. A set of templates to guide staff through key steps in the risk management process is available on the staff intranet.

A network of Risk Management Champions, representing all organisational units in the Agency, meets regularly, and training that is more technical is provided to this group, depending on their identified needs. An important part of the role of the Risk Management Champions is to raise awareness and provide advice on risk management issues to other staff in their particular work units. A discussion forum is being established on the staff intranet, where staff can ask questions, raise issues, share experiences and exchange ideas. This forum will be moderated by the CRO, and answers to questions will also be posted, unless precluded by reason of confidentiality.

Thirdly, implementation of the risk management process described previously ensures that risk management is a key element of planning and risks are identified, monitored and managed in a consistent and coordinated way.

Risk Management Function

The Agency's Chief Risk Officer (CRO) is responsible for assisting the Board, committees of the Board and the senior management of the Agency to develop and maintain the risk management strategy and framework. The CRO reports to the Deputy CEO, but is operationally independent, meaning that the position has no direct involvement in the Agency's functions in relation to the funding or provision of supports under the NDIS. The CRO is able to brief the Board, committees of the Board and senior management of the Agency as necessary, and has access to all aspects of the NDIS that have the potential to generate material risk, including information technology systems and system development resources. The CRO is tasked with notifying the Board of any significant breach of, or material deviation from, the risk management framework in a timely and effective manner.

The CRO fits within the second line of defence outlined in APRA's Draft Prudential Practice Guide on Risk Management, and has independent oversight of the risk profile and risk management framework, including providing an effective challenge to activities and decisions that materially affect the risk profile. APRA expects the CRO to be a senior executive. The Agency has a CRO at the SES Band 1 level until the end of September 2014, when the position will be reviewed against the broader context of Agency operating requirements, the SES cap, and maturity of the implementation of the Framework. The CRO is supported by an EL2 position, with responsibilities primarily relating to the co-ordination of operational risk management and activities that support development of an appropriate risk management culture.

The CRO is also responsible for fraud control, prevention and detection; business continuity planning, co-ordination of the internal audit function, and business planning. In this, an EL1 Fraud Control Officer, and an EL1 Audit Liaison Officer, who also assists with the fraud detection program, support the CRO.

The internal audit program is developed in consultation with management and the Board, and approved by the Audit and Risk Committee. It is a three year program, but reviewed annually to ensure that it continues to reflect current priorities. The first three year program was formulated within the first six months of operation of the Scheme, and was built largely on management perceptions of risk areas. Progressive implementation of the Risk Management Framework will build a growing body of evidence that can be used to target internal audit activities to high risk areas.

Audit findings are classified on a three point scale, based on the auditors' assessment of the urgency for management action. The Audit and Risk Committee receive quarterly reports on progress with addressing audit findings.

The delivery of the internal audit program is outsourced to a specialist provider. The managing partner for the contract attends all meetings of the Audit and Risk Committee, and provides an independent report on progress with delivery of the program. The managing partner also has direct and unfettered access to the Chair of the Audit and Risk Committee, and to the CEO.

Compliance

The Agency's compliance obligations can be divided into four categories: the responsibilities of Directors; administration of the Scheme, including the enabling legislation (*NDIS Act 2013* and subordinate rules), and requirements under the Intergovernmental and bilateral agreements; specific responsibilities for Commonwealth authorities under the *CAC Act 1997* (for 2013-14) and the *Public Governance Accountability and Performance Act 2013* (from 2014-15); and general regulatory compliance with relevant Commonwealth legislation (for example, *Freedom of Information Act 1982,*

Privacy Act 1988, Environment Protection and Biodiversity Conservation Act 1999, Workplace Gender Equality Act 2012, Carer Recognition Act 2011, Public Service Act 1999, Archives Act 1983, *Public Works Committee Act 1969*.

Responsibilities of Directors

As directors of a Commonwealth corporate entity, Board members have a specific set of obligations under the *Commonwealth Authorities and Companies Act 1997* (for 2013-14) and the *Public Governance Performance and Accountability Act 2013* (from 2014-15). The process for ensuring compliance with the obligations of Board directors, and reporting on it, is managed by the Board Secretariat.

Administration of the Scheme

In the first year of operation, the Agency has focussed on compliance with the requirements for two key decisions made under the enabling legislation: making decisions on access to the Scheme, and making decisions on the reasonable and necessary supports to be funded through the Agency in participant plans.

A **Quality Management Framework** has been developed comprising a combination of self-assessment and independent review of decisions. This Framework is being implemented progressively.

Individual self-assessment is a review undertaken by staff to assess their performance against Agency procedures. Staff assess how they have followed Agency policy/guidelines (as published on the staff intranet and public internet), sought participant/stakeholder feedback at significant points during the planning process and implementation phase, and kept appropriate documentation throughout their support to participants.

The second element is a *formal peer review process*, where staff with similar roles and responsibilities critically assess each other's' performance and provide constructive feedback, to reinforce strengths as well as to identify areas for improvement.

Participant file reviews will be co-ordinated by the National Quality Improvement Team (NQIT), and completed by Senior Planners or Directors at trial sites. The NQIT will determine the sample selection depending on the objective of the review which will be determined by performance reports and complaints. Findings from participant file reviews will highlight any practice issues and/or reinforce effective strategies which can be shared across trial sites. The findings from participant file reviews will be shared with service delivery staff across trial sites, and will enable action to be taken to address any issues, update or develop guidelines or procedures, or drive the learning and development strategies for staff.

Team self-assessment is a planned process where teams will collect and analyse data about their practice to determine their compliance with rules made under the *NDIS Act* and the Agency's policies and procedures (on the intranet and internet), including data accuracy and integrity.

Team self-assessments will be carried out at trial sites every six months and will involve all service delivery staff and other team members as appropriate. The NQIT will provide each trial site with a schedule of indicators to be reviewed that will demonstrate that the objectives and principles of the *NDIS Act* are being met both at a trial site location and at the systemic level. The team self-assessment will be led by the Director Service Delivery and draw on information from case-reviews completed during the previous 6 months; participant and stakeholder feedback, including complaints; and, a review of a random sample of participant records.

An *independent review program*, conducted by the NQIT, will systematically review systems and operations at the local level, including documentation to support decisions made by the Agency.

While focussing initially on decisions concerning eligibility and reasonable and necessary supports, the Quality Management Framework will be progressively extended to cover all decisions made under the legislation and subordinate rules that relate to participants and to providers.

Compliance with the *NDIS Risk Management Rules 2013* is reviewed as part of the annual internal audit program and attested to by the Board in the annual Risk Management Declaration

CAC/PGPA Act obligations

For 2013-14, the Agency's directors are required by *Finance Circular No. 2008/05 Compliance Reporting – CAC Bodies* to provide a Compliance Report indicating whether or not, in their opinion, they and their body have complied with the provisions and requirements of the Commonwealth Authorities and Companies (CAC) legislation (Act, Regulations and Orders).

In the establishment of a new process for the Agency, the Department of Finance and a number of other CAC Act agencies were consulted to determine the most effective processes to be undertaken. Consequently, it was determined that the most effective way to assist the compliance reporting was to develop a survey to be completed by responsible managers quarterly and board members biannually detailing instances of compliance and non-compliance with the CAC legislation.

In constructing the survey each component of the CAC legislation was reviewed and areas requiring compliance were included. Additional questions were also included on compliance with significant Agency policies.

The Audit and Risk Committee, at its meeting of 12 February 2013, endorsed this process as underpinning the Certificate of Compliance for 2013-14.

This process will be used to inform the annual Risk Management Declaration by the Board, as required under the Scheme Risk Management Rules.

General Regulatory Obligations

The Agency developed a two stage approach to general regulatory compliance obligations for 2013-14.

The first stage of work involved management identifying key pieces of legislation or requirements critical to the functioning of the Agency or to the rollout of the Scheme. These are the Freedom of Information (FOI) Act, the Privacy Act, the Archives Act, the Work Health and Safety Act 2011, the Environment Protection and Biodiversity Conservation Act, and the requirements of the Public Works Committee (PWC) Act in relation to approval of property plans and proposed expenditure.

In relation to the FOI Act, the Agency has established an Information Publication Scheme and disclosure log, and has complied with all of its obligations under the Act in respect of the requests for access it has received. In relation to privacy and broader information protection obligations including under the NDIS Act, the Agency has provided training to staff as part of the induction process on key requirements of the Agency's privacy obligations, with a specific focus on appropriate handling of sensitive and protected information. The Agency has not been notified of any complaints to the Privacy Commissioner for 2013-14.

The Agency has been working with the National Archives of Australia (NAA) to develop appropriate and compliant records management policies and processes, based on the NAA's digital archiving standards.

A WHS committee was established in accordance with the WHS Act, and has met regularly since December 2013. The Agency has incident reporting arrangements in place in accordance with the legislation.

The Agency has made submissions to the Public Works Committee, and appeared to give evidence in hearings, as required under the PWC Act. The Committee has approved proposed expenditure on property in accordance with the legislation.

The Agency complies with its obligations under the Environment Protection and Biodiversity Conservation Act as part of the due diligence it conducts before entering into leases for property.

The second stage of work will be to extend the compliance program to all regulatory requirements under Commonwealth legislation. This will be implemented through 2014-15.

The consequences of failure to comply with its regulatory obligations is one of the risks monitored by the Audit and Risk Committee and taken into consideration in developing the Agency's annual internal audit program.

Review of the Framework

To assist in formulating its annual risk management declaration, the Board has included a review of the risk management framework, and its operation, in the annual internal audit program. The results of this review are considered by the Board's Audit and Risk Committee with the aim of ensuring that recommendations for improvement are identified and, if possible, implemented before the risk management declaration is signed.

Additionally, every three years, the Board commissions a comprehensive review of the appropriateness, effectiveness and adequacy of its risk management framework from an independent and suitably qualified party. This review will cover the extent of any change in the Agency's operations, the Board's risk tolerance, and any changes to the external environment in which the Agency operates. This review will assess whether the framework is implemented and effective; remains appropriate for the Agency, taking into account the Board's current business plan; remains consistent with the Board's risk tolerance; is supported by adequate resources; and the risk management strategy accurately documents the key elements of the risk management framework that give effect to the Board's strategy for managing risk.

The Scheme actuary will have the opportunity to contribute to the annual and triennial reviews, and to comment on the outcomes and proposed remedial actions, if any.

The ANAO will have access to the outcomes of the reviews and will have an opportunity to assess the effectiveness of the proposed remedial actions, if any, if the Auditor-General so chooses.

In accordance with clause 10 of the *Risk Management Rules 2013*, the Board provides a risk management declaration to the COAG Disability Reform Council after the end of each financial year. Two Board members sign this declaration. The Board authorises the signing of the declaration only after it has had the benefit of an independent review of the risk management framework. The declaration is qualified, if necessary, to the extent considered warranted by the Board, taking into account the outcomes of the independent review, any recommendations from the Audit and Risk Committee, and its own separate enquiries.

Attachment A: NDIA Strategic Plan 2013 - 2016

National disabilityinsurance Agency

2013–2016

Strategic Plan

ndis.gov.au

Chairman and CEO's Foreword

The National Disability Insurance Scheme (NDIS) is a once in a generation economic and social reform which has been agreed to by all governments and will benefit all Australians.

The NDIS is an exemplar of governments doing what people cannot do for themselves.

People with disability are at the centre of the NDIS, and the Board and management of the National Disability Insurance Agency (NDIA) are committed to working with stakeholders—participants, their families, carers, governments, providers, business and community—to build a world leading disability system.

Starting with the current launch phase 2013–2016 and building to full scheme, we are committed to building a sustainable, flexible and responsive NDIS, which makes a real difference to the lives of people with disability, their families and carers and their integration and inclusion in community.

Achieving this goal will require clear focus on critical priorities; careful management of risks; and excellent implementation.

No-one should underestimate the significance of the NDIS and the transformation it brings for people with disability, their families and carers and all Australians. True integration and inclusion in mainstream community, socially and economically, is the ultimate goal.

NDIA Strategic Overview

The Agency's vision, mission and goals support the positive transformation of Australia's disability sector and are underpinned by our dedicated culture and the effective use of technology.

Vision

Optimising social and economic independence and full participation for people with disability.

Mission

Building and managing a world leading National Disability Insurance Scheme for all Australians.

Goals

1. People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities.

2. The National Disability Insurance Scheme is financially sustainable and is governed using insurance principles.

3. The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency.

Culture

What the Agency values.

Technology

Our work is underpinned by a modern technological approach.

Culture

What the Agency Values

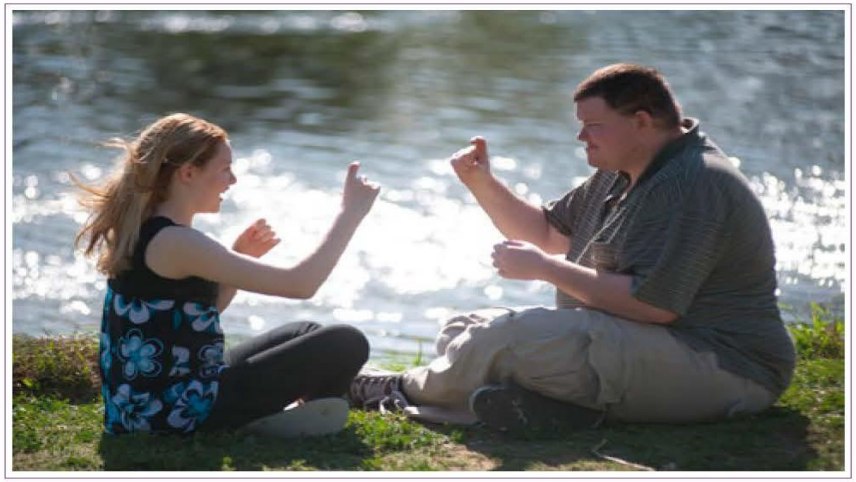
Assurance
The Agency is committed to certainty of funding for high quality, equitable and effective supports that respect the diversity of all people with disability.

Empowerment
The Agency works locally and in partnership with participants, their families and carers to enable them and ensure they have choice, control and a voice.

Responsibility
The Agency shares a mutual responsibility with participants, the community and providers in providing high quality supports which maximise potential, independence, integration and inclusion in the community.

Learning
The Agency sees every task and interaction as an opportunity to learn and continually improve performance. The Agency is reflective, asks for and acts on feedback, and constantly evaluates its performance.

Integrity
The Agency is fair and transparent, does as it says and says what it does, so as to build trust and respect among people with disability, their families and carers, employees, providers and the community.



Goals — What the Agency Will Achieve

Goal 1

People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities.

Outcome A:

Build the capacity of people with disability to exercise choice and control in the pursuit of their goals

Deliverable 1
Encourage, enable and challenge people with disability to take control and self-manage their supports

Deliverable 2
Support people with disability to make informed choices in all their dealings particularly when transitioning to the NDIS

Deliverable 3
Provide certainty of reasonable and necessary supports for people with disability including early intervention supports, through adequate funding and underwriting of the NDIS

Outcome B:

Promote the independence and social and economic participation of all people with disability and especially those who are vulnerable or marginalised

Deliverable 1
Support people with disability to contribute to social and economic life and participate in education, to the extent of their ability

Deliverable 2
Provide people with disability, their families and carers with certainty of the care and support that is needed over a lifetime

Deliverable 3
Ensure the decisions and preferences of people with disability are respected and they are afforded the dignity of risk where it is their choice

Outcome C:

Recognise, nurture and uphold informal support and care arrangements, especially for children and vulnerable adults

Deliverable 1
Adopt a flexible approach in planning to take account of participants' and carers' needs and aspirations and the evolution of available supports

Deliverable 2
Recognise and support the provision of sustainable care by carers, families and other significant persons for people with disability by building a more inclusive community and providing opportunities to share experiences and learn from one another

Deliverable 3
Build community capacity and supports for people with disability who do not receive funded supports

Success Indicators

- People with disability plan and exercise choice
- People with disability achieve their goals for independence, social and economic participation
- Care arrangements are sustainable and forward looking
- A healthy, innovative and efficient market for disability services which supports a culture of choice and control

Goal 2

The National Disability Insurance Scheme (NDIS) is financially sustainable and governed using insurance principles (see Appendix 1).

Outcome A:

Base governance and operations on strong insurance principles using comprehensive and reliable data

Deliverable 1
Base NDIA decision making on actuarial advice and best available evidence

Deliverable 2
Establish effective estimation and management of short-term and long-term costs

Deliverable 3
Identify and manage financial risks of the NDIS

Outcome B:

Invest, including early intervention in a lifetime approach

Deliverable 1
Invest early to deliver improved and sustainable outcomes and to reduce long-term costs

Deliverable 2
Utilise available general and community supports for all people with disability first

Deliverable 3
Develop effective interfaces with complementary mainstream service systems that will meet changing needs, deliver best outcomes over a lifetime for people with disability

Deliverable 4
Design and fund reasonable and necessary packages of supports for participants which encourage creativity and effectiveness

Outcome C:

Drive support services and workforce to be high quality, effective, efficient and responsive to the diversity of NDIS participants, so as to create a new dynamic and non-inflationary market for disability supports

Deliverable 1
Support a robust and dynamic market for disability supports that enables both new and existing providers to deliver high quality and effective support to participants with diverse disabilities across Australia, including rural and remote area

Deliverable 2
Influence the market to ensure current and new care workers are respectively retained and attracted to diverse and flexible opportunities and careers in a rapidly expanding disability sector

Deliverable 3
Invest significantly in research and sector development and adopt a risk-based, fair and minimalist approach to regulation

Success Indicators

- The NDIS is collecting and reporting appropriate data for actuarial analysis
- Quarterly monitoring reports and annual financial condition reports are on track and appropriate
- Benefits are realised from targeted investment strategies in enhanced disability support
- Short-term and long-term costs are effectively estimated and managed
- The NDIS research and evaluation strategy is integrated into the insurance and actuarial reporting process
- A healthy market is developing that increases the mix of support options and innovative approaches

Goal 3

The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency.

Outcome A:

Respect and actively seek the views of people with disability, their families, carers and the community

Deliverable 1
Involve people with disability, their families, carers and other significant persons in the design and evaluation of supports and services to participants

Deliverable 2
Support a culture of service that is open, accountable and welcomes feedback

Deliverable 3
Build confidence in the NDIS and its administration by working constructively with the disability sector

Outcome B:

Work constructively with governments

Deliverable 1
Faithfully represent the interests of people with disability in contributing to the development of policy, service delivery and physical and social infrastructure

Deliverable 2
Acknowledge the role of participating governments as reputational and fiscal shareholders in the NDIS

Deliverable 3
Be transparent through the timely provision of information and data to governments in relation to the performance, expenditure and activities of the NDIS

Outcome C:

Raise community awareness and knowledge of how to support people with disability

Deliverable 1
Build awareness in the community of the value of including people with disability in all social, education and economic activities

Deliverable 2
Provide accessible, accurate, timely, authoritative and multi-media information to the community

Deliverable 3
Demonstrate the capacities and employability of people with disability and those with lived experience of disability by being a leading employer

Success Indicators:

- Access, reasonable and necessary supports and administration costs meet community expectations
- People with disability are welcomed in community and easily able to access support from mainstream services
- The NDIS reports publicly on its performance

Technology

Our work is underpinned by a modern technological approach through:

Connection
Smart use of technologies, especially accessible technologies, to connect with more people especially those in rural and remote areas to assist them to connect with the broader community

Innovation
Identify and utilise emerging technologies to enable innovations in supports

Knowledge
Collect, analyse and share data about disability and supports for people with disability to identify best practice

Efficiency
Use technologies to improve quality and drive down costs

Appendix 1

Insurance Principles

The NDIS is a scheme based on four key insurance principles.

First and most importantly, in a similar way to insurance premium revenue, the total annual funding base required by the NDIS will be determined by an actuarial estimate of the reasonable and necessary support needs of the target population. Like other insurance schemes, it will then continually compare these estimates of scheme utilisation and costs with actual experience and outcomes. It will also build comprehensive databases to allow more effective service models to be quickly identified and so build in continuous improvements.

Second, government welfare schemes have a very short-term focus on minimising costs in a particular budget year. In contrast, the NDIS will seek to minimise support costs over a person's lifetime and maximise their opportunities. The NDIS will therefore invest in tailored early intervention services and nurture and support families and carers in their roles. There is therefore a much closer alignment of interests between people with disability, their families and carers and the NDIS, compared with the previous welfare-based approach to disability support services.

Third, as part of its insurance-based governance model and longer term approach, the NDIS will invest in research and encourage innovation. Under the previous National Disability Agreement there was minimal investment in research.

Fourth, insurers, like the NDIA, can act at the systemic level, as well as fund individual support needs. This includes building community capability and social capital, which will be especially important for people with disability who are not participants, their families and carers. For the NDIA another very high priority will be encouraging the full integration and inclusion of people with disability, their families and carers in mainstream community life, through increased social and economic participation. This will benefit individuals and the nation, and according to the Productivity Commission it is expected that the NDIS will add close to 1 per cent to GDP.

Contact Us

For more information:

Phone

Phone us on 1800 800 110
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For people with hearing or speech loss
TTY: 1800 555 677

Speak and Listen: 1800 555 727

For people who need help with English
TIS: 131 450

Mail

Mail an enquiry to National Disability Insurance Agency

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Canberra ACT 2601

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