[Introduction]
With the rapid behavior changing disruption of recent years, and the ongoing stream of corporate governance failures. ACCA has been digging deep into how interconnected risks such as climate change and geopolitical issues are influencing the way we approach risk management. This podcast series will look at what risk culture means and to what extent risk and accountancy professionals understand its impact on performance.

[Rachael Johnson]

Thank you so much for tuning in to our podcast series. Today, we are delighted to have Richard Mackie from RSM here to chat with us about how we empower our profession to spend less time on scores and more on asking the right questions. Richard has a wealth of experience as a risk management and board assurance advisor, and he kindly contributed to our recent risk cultures and healthcare report given his work with board and management training in the sector. So before we get started, I just thought it would be great for you to just give us a little bit of detail about all the work you've been doing in healthcare.

[Richard Mackie]

Yeah, sure. So terms of the healthcare sector, it's been over 15 years now. I've been working predominantly within the healthcare sector on risk management, from starting out with BARTs and London, where I taught risk management patient safety at the medical school. Therefore we put together the first national curriculum for patient safety and risk within healthcare, before then moving over to RSM where I've been for over a decade, I have been the one of the key risk management specialists dominant within the healthcare sector, where I work with boards, exec teams, but also even operationally delivering training to everyday staff in relation to healthcare and risk management, but also as sideline, as a certified fellow of the Institute of risk management, I teach in partnership with the NHS providers the Risk Management Master Class certificate. So yes, a number of different angles to how I approach risk management within healthcare.

[Rachael Johnson]

So Richard, let me start by asking you, we talked about how making sure risk appetite is consciously thought about by everyone, every day, and how we can't underestimate that in healthcare, given the high stakes. And in our recent report on risk cultures, you talked about how finance teams need to use risk appetite more efficiently in order to identify and manage the right risks. So I thought it would be great to start here by asking you to explain what financial leaders can do, how they look beyond the numbers and use risk appetite more effectively.

[Richard Mackie]

Yeah, certainly. Thank you very much for the opportunity to speak with you today when it comes to risk appetite. What I've certainly seen over the years is that perhaps the risk appetite is not being applied in the most efficient way, and perhaps also there is within a healthcare setting, and perhaps naturally so, it's a bit of an anxiety of using the term risk appetite, and particularly if we look at the concepts of patient safety, and then how can we have an appetite in relation to patient safety? Because obviously your appetite would be zero. But in doing so, that would mean that we would close the doors. We've stopped delivering. What we deliver, what I've been in working with a number of boards and exec teams over the last few years, is to change the conversation with the appetite and actually say, let's remove patient safety as an appetite theme, as an appetite area, because ultimately, everything we do is linked to patient safety. If we don't have the finances in place, will impact patient safety. If we don't have the right people with the right skills, will impact upon patient safety. If we don't have the right buildings, that will impact patient safety. So thus we start to talk about our risk appetite in relation to our estates, our buildings. We may be more open to certain risks in relation to our appetite by doing things differently with the buildings, with the estates, when it comes to the finances and opportunity, we might be willing to take more risk in relation

to looking at opportunities, new ways of working, for this is perhaps those finance risks that may have further implications in relation to, let's say, safety or outcomes. So it's about being more dynamic, but also more honest with each other in relation to our risk appetite. There will be certain risks by the nature a high scoring So that's if you focus purely on the risk scores, you will tend to see the same reports saying the same things that we've got. There are these top 10 risks currently out of appetite, without someone saying actually, this will be where these risks will always sit. There is always the possibility these risks could happen. And if they do have the potential for a significant impact, if we start to change the conversation, to actually further down than as I call it, the risk food chain. There may be smaller risks that don't appear necessarily on our top 10 scoring because they seem to be more unlikely however, in that position, they may be out of appetite. So let's be more dynamic with it, and start to say there are some risks that are business as usual, that while it's not ideal that they're in that position. That's where we understand that they are. Let's start to use the appetite in a more dynamic fashion, to focus on, perhaps those further down, but also bring in, not getting too much into the theory side of things. But so I thought that the four T's that are there, and that's, again, the terminologies people get confused with in relation to appetite, to see, oh, what's our appetite? What's our tolerance? I would say that tolerance is one response to our risk appetite for the set risk the right of appetite, we might just have to tolerate that, but we should be using the risk appetite then to feed into that decision making, saying, OK, do we tolerate this risk? Do we transfer it over to the third party? Do we terminate the particular activity the risks associated with or is there the latter one would be the treatment, is there further controls, further investment that can be put in place? So that's very much, I would say, is bring the appetite alive, bring it into the reporting. But also, more importantly nowadays, is focus on the assurance levels and how confident we are that those risks are being managed effectively. And that's really changed the risk reporting certainly changed the focus.

[Rachael Johnson]

Yeh great, thank you. Many messages from the banking and the healthcare research can be applied to other industries. So whether it's talent retention and soaring costs and all these existential economic risks, which are compounded by rising fraud and for health care, counterfeiting in the supply chains, for example. So we see how there's much more for organizations to prioritize and deal with. And I thought it would be great for you to share more of your thoughts on how our profession can inform better decision making, because that's really, as you've pointed out before, what effective risk management is all about.

[Richard Mackie]

Absolutely, it's a really important question, and what I'd like to get across is that we have a fantastic ability to over complicate things within the healthcare sector, and particularly when it comes to risk management. Many of the healthcare organizations I work with, I have a look at the current risks they've got, and they could have 1000s of risks in there, of which, when you start to look at some of the detail, they're not risks at all. They are problems that exist today, issues that they have within the organization, or issues, as you're mentioning there, that exist externally. The great way of taking it forward and bring the risk management alive is stop for a second and let's just simplify things down, starting with, what is our core objective? What is it that we are looking to achieve as an organization? Or we may have a number of strategies in place, so it might be along the lines of delivering safe, effective services, quality patient care, those kind of things, what are the key pillars that need to be in place to deliver this? As you touched on there, have we got the capability and skills? Have we got the capacity, have we got the right resources, the right partnerships? Another area would be the governance, the compliance, the quality side of things. And then when we start to look at these key pillars, let's start to look at what they could be as key strategic risks. And the same thing starts to then flow down through the organization, so particularly the counterfeiting side of it. What's happening externally, we can't necessarily influence that, it's then what does that mean as a risk to ourselves? Do we have the right quality control measures in place? Is it that these counterfeit equipment, counterfeit drugs, whatever it may be, is that one of the key causes as to why we're not able to deliver the safe, effective outcomes for patients, and thus knowing that there is the potential for that is to then think about, what gaps do we need to

fill there? Where is the improvement actions? And by doing so, we start to manage the right risk in the right way. Because, again, often that people start to talk about, oh, there's a big problem over here, and start to then think about that as a risk. If we do so straight away we're managing the wrong thing, because there is no likelihood that it is happening. So straight away we're managing the wrong thing, and thus we won't be focusing on how we actually improve going forward, because we wanted to be doing it's very much proactive and the prevention of the risk than necessarily, where a lot of healthcare organizations are at the moment, and particularly post pandemic, is in that reactive firefighting position, they're constantly chasing their tail, and by taking a step back, let's look at what is the right strategic risks, how we then embed that back down through the organization is understanding each of these key pillars. There should be a number of operational risks that fit into that, and you'll hear me again repeat through our conversation today, it should be tying back to assurance, and that assurance side of things. And for example, and if we're talking about, let's say a number of our staffing risks have a lower level of assurance, ie a low level of confidence they're being managed effectively. Does that mean that our people strategy, our workforce delivery plans, are not appropriate and effective? And that's really where we start to be more dynamic about the risk management, where it's not just a case of wheeling out the risk register and going, Is it red, yellow or green? It's actually saying as a management team, as a board, what is this telling us? What should we be doing going forward? How do we resolve this to make sure that these risks do not materialize?

[Rachael Johnson]

Yeah, for sure. And everything you're saying could be applied to, dare I say, the cyber risk story in healthcare, which you know we must briefly touch on, I guess so we're talking about healthcare today, given how the sector has been targeted, you know, by various types of actors, from state run and activist groups to unhappy stakeholders. So what do you believe would be the key action points in terms of making these tough decisions around where to invest, given scarce financial resources, in terms of managing these threats better?

[Richard Mackie]

So it goes back to almost by previous point about if we stop for a minute and think about it in a very simple, straightforward fashion, though, cyber is going to suffer as highly complex, but at the initial point of there are two angles to it, is the prevention and the response. If we think about the cyber in itself being the risk, we started to think about it in the wrong way, and how I would see it is from a prevention side of things, is, is our prevention measures in relation to cyber appropriate and effective is our response measures appropriate and effective? Because cyber, by its nature, will always be a higher scoring risk. It is always going to be in a possible or likely position, and if it could materialize, and does materialize, it has the potential to floor the organization. So we need to change the conversation to how confident we are that our prevention measures, our control measures, the various software systems, backup systems that we have in place are appropriate and effective, but also understanding in terms of the response side, there are external third parties that we work with that are key suppliers we work with, someone else's problem could easily become our problem. Now we can't manage their cyber systems and whatever else, but what we can do is make sure that it's part of our supplier agreements they must have certain measures in place. We may even as part of that have, you know, some form of auditing, review, checking in place, but also as part of our own business continuity and a part of our own response measures is thinking about the 'other' is that, if something was to happen elsewhere, how do we respond? How do we make sure that we can continue on as normal understanding how and where our activities could be impacted, whether it is in patient delivery data, whether it is from a financial perspective for any of the organizations that outsource the finance systems, if that organization's finance systems are hit, how would that impact upon us? How would we respond to it? It goes back to a talk I gave a few months back of where it comes down to these unknown unknowns. That if we stop for a second, should there be unknown unknowns? But really think through all the different angles that we could be hit, we should start to think about how we got these bases covered and by being simple and straightforward. So on one hand, as I mentioned, is about the prevention. The next part is the response, understanding why? What will be the key reasons we do not prevent the cyber

attack? What's going to be the key reasons we do not respond appropriately and effectively in the event of the cyber attack, and thus really able to start to break it down into those core components, and thus move it to that situation of the the assurance level, the confidence level that we've got those bases covered so if the third party is hit, we know that we can respond appropriately and effectively to that because it's something that necessarily we cannot influence that that attack on the third party, but what we can do is make sure that if it was to happen, we've got that that base covered as best as possible. That's what very much I would say to to those in the the field, particularly from the the finance side of things, that while cyber risk is something that I'm not an expert in, and it's evolving day by day, week by week, in regards to different angles of attack, is by keeping it simple and straightforward, we can then have those conversations with our IT professionals to make sure. Can you give me the confidence that we have these spaces covered? Have we got the assurances the checks and balances in place? Because if we don't, that's a problem.

[Rachael Johnson]

Yeh, really good food for thought, considering the unique nature of third and fourth party risk in healthcare, particularly, and moving on to the cultural side of this, which is really where the risks are for most of these non-financial threats like cyber and the digital transformation. We've been talking throughout this series, how the secret sauce of any successful risk culture today is really around collaboration, and when we think about the adoption of AI and all these different transformational challenges, it's not just going to be the responsibility of it. So could you also share your views on how these types of challenges, as the world's changing so fast and evolving, as you say, present opportunities for different teams and functions to learn and work together. So again, for example, when it comes to assessing and embracing AI and new ways of working.

[Richard Mackie]

That's a really great point that this is again, two hats off where AI presents with fantastic opportunities. Is to to break down silos that within healthcare, one of the the main challenges people will often talk about is having that capacity that the AI hopefully will be able to free up time for people that will hopefully reduce pressure, stresses on teams departments, be able to hopefully, tackle a number of perhaps simpler areas, or as it moves forward into more complex side of things. What I would say we need to be the understanding of the people don't feel there's a bit of a replacement culture that they've spent many years at medical school training to be the specialist, the doctor, the nurse that's thinking that AI can just immediately replace that. There's the human factor side of things. Just recently, I was listening to a seminar on AI in particular, over in California, and that's one of the points they raised, is that while AI can provide you with the right answers, there are certain circumstances of which the AI may not understand the context of the question of which the rather tongue in cheek had a comment in regards to the Ask the AI, what's the best way to stop cheese dripping off a pizza? And the AI responded with super glue! To the AI, that is the right answer. However, in the context of something you eat, I'm not quite sure super glue would be the best ingredient in that case. So we need to think about if that was a health care setting and a patient was having a conversation with the AI, or the AI was dealing with particular situation, is there the potential there for the AI not to understand the context of the environment, or the question that was being asked, which could lead to the wrong outcome for the patient, could lead to the reputation damage, and that's one thing from a financial perspective, we need to think about the legality, whom would be liable in that scenario. Is it the AI developers and software? Is it us as the organization that did we understand have the potential to do that? While the AI can be a great champion of opportunity and take us in one direction, we need to be considerate of the risks and the context and where we're introducing the AI. We need to be be thinking about is, when is the right time to really get into it? That if we're in the infancy of AI, and particularly within healthcare at the moment, will we start to see, over the next few months, even the next few years, some new disruptors there that may actually be really quite cost effective in the marketplace, bring in new systems, whatever it may be, to really innovate and transform the healthcare sector. So I think at this point in time, we need to keep an open mind, but we'd be considerate of the human factor into how the humans who will still be working in

healthcare will engage with the AI, but also, how will it engage with the patients and make sure it's the right choice going forward, and not just the cost effective choice.

[Rachael Johnson]

Yeah, that's really good. And that sort of leads into the other area that we doubled down on in this research about purpose. And if there was a common denominator in the healthcare research, it was the purpose of patient safety, as you brought up today, but we also found you can't get purpose right when support functions lead, and that major decision makers need to be on the front lines and surround themselves with those who are. So what would your last word be on all of this, and how we get finance teams to be more involved on raising awareness and really aligning the risk with objectives and purpose.

[Richard Mackie]

What I would say is we have an opportunity to be brave that often, from the the finance side of things, there is perhaps more risk aversive. When I run risk appetite sessions with the board and executive where we start to talk about money, immediately start to talk about, oh, we're very risk averse in that sector. But when you actually start to talk through of the things they're doing, actually, no, you're far more open to taking risk and far hungrier. So I would say there's an opportunity to be brave, be more dynamic, but very much focus on it isn't just the money side of things. It isn't just purely focused on the risk element. What we need to be focused on is the best possible outcomes for patients, and understanding, by working together, how we can achieve that, and look at the opportunity side of risk, that it's not just the negative, there could be opportunities there that we need to identify and maximize, and by focusing on those that should deliver the best possible outcomes for patients.

[Rachael Johnson]

Yes, thanks so much, Richard, I could talk with you all day, really about all of this and the power of positive risk taking, but it's been such a pleasure to have you here today. We have so many members around the world who work with RSM, and so we look forward to collaborating with you more in the future. Thanks so much.

[Richard Mackie]

Thank you very much Rachael

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