

Policy on Risk Management and Internal Controls for Ceylon Hospitals PLC

Introduction

The management of Ceylon Hospitals PLC is responsible for applying an effective risk management strategy within the company. The risk management/ Audit committee plays an integral role in risk management and oversees the adequacy and efficiency of Internal controls across the group, through Internal reports and compliance statements.

Responsibility

Board has overall responsibility for ensuring that risks are managed. In practice, the board will delegate the operation of the risk management framework to the management team, who will be responsible for completing the activities below. There may be a separate function that co-ordinates and project-manages these activities and brings to bear specialist skills and knowledge.

Everyone in the organization plays a role in ensuring successful enterprise-wide risk management but the primary responsibility for identifying risks and managing those lies with management.

The Management plays an integral role in risk management and oversees the adequacy and efficiency of internal controls across the Group, through established Audit Charter by in house Internal Audit & Compliance Department, where Quality Assurance Department supplements clinical aspect of the Group.

Risk Identification

Risk Grading based on gravity of risks are first mapped and the key areas are focused based on the risk grading. Any occurrence of incidental reporting by means of internal audit reports and compliance statements are resolved and such risks are mitigated by the management by producing or redefining policy and SOPs.

The eight risk domains of ERM for Ceylon Hospitals PLC are as follows:

1. Patient Safety/ clinical risks
2. Strategic risk
3. Financial risk
4. Operational risk
5. Employee risk
6. Technology risk
7. Regulatory and Legal Compliance
8. Pandemic and Catastrophic events

The activities included Enterprise Risk Management (ERM)

Ceylon Hospitals PLC has implemented operational and management controls while establishing mitigation plans which are regularly verified by the in-house Quality Assurance Department (QAD) and the independent internal audit team. In order to manage the risk, department risk registers are maintained by each unit in conjunction with QAD. These registers are verified and assess the implementation of the mitigation plans.

The Board ensures that there is an ongoing organisational process to identify and manage risks in each domain. The Board determines the risk appetite in relation to each type of risk at least once a year and in situations where significant volatility is in the environment, at more regular intervals. Where necessary the Audit Committee and any other ad hoc meetings will oversee the hospital management program to ensure all risks are managed with proper mitigation plans.

Patient safety and clinical risks

Patient safety and clinical risks will cover the risk arising from the lack of safety measures for patients and staff is of high importance for Ceylon Hospitals PLC. As such in depth evaluation of such risk is carried out on a routine basis to map out to all potential risk and clearly defined actions.

Strategic risks

Ceylon Hospitals PLC identifies and manages strategic risks and monitors the implementation. The organisation structure has clearly defined roles and responsibilities for every member of the team where the strategy is cascaded down to all members across the functions and are held responsible.

Financial risks

Ceylon Hospitals PLC continuously drives to invest advanced technology which requires seeking and obtaining necessary finance for investments. Being mindful of the gearing level of the entity, the company ensures it manages its borrowing with due care. It ensures that financial obligations are settled in a timely manner. Further the management exhibits the utmost diligence in monitoring market fluctuations in relation to interest rates within the objective of obtaining the best returns for Ceylon Hospitals PLC.

Operational risks

In any organisation, people and processes inherently incur errors and contribute towards ineffective operations. In evaluating operational risks, practical remedial steps are required to eliminate exposure and ensure successful responses. Considering this, annual risk based internal audit plan is developed and presented to the Audit Committee and based on their feedback and approval it is executed.

Employee related risks

Ceylon Hospitals PLC continues to value its people as the most important asset of the organisation considering it is they who translate the corporate vision into reality by delivering high levels of care to its patrons. Every employee epitomises the values of the company while at work, as well as outside of working hours.

Hazards covering catastrophic events and pandemic risks

Possible risk arising from external forces are given all the time attention and as such as in-depth evaluation if such is carried out on a routine basis to map out potential area of risk and clearly defining actions that should be in place. Dedicated wards and intensive care units were established to cater to those infected by the viruses. Ceylon Hospitals PLC ensures that the right safety protocols are in place, enabling zero contact between patients.

Information technology and information management related risks

Information and communication technology plays a crucial role in Ceylon Hospitals PLC, contributing to the efficiency, effectiveness and quality of healthcare delivery. Leveraging IT effectively, hospitals can add value to stakeholders, differentiate themselves in the healthcare market and achieve their strategic objectives.

Regulatory and legal compliance risks

Ceylon Hospitals PLC is committed to aligning itself with evolving regulatory and legal compliance requirements that are applicable to the healthcare industry. Ceylon Hospitals PLC ensures its presence and

the representation in the industry related forums to keep it self-informed of the evolving changes and to engage with decision makers to obtain greater clarity and ensure increased consistency with respect to government policies and initiatives.

Economic risks

With healthcare being an essential service, the healthcare sector has limited insulation, against economic shocks to a certain extent in comparison to other industries. However, the company has been adept in identifying potential risks which could impact its business plan and generate proactive steps to mitigate the same.

Providing assurance on Enterprise Risk Management processes

One of the key requirements of the board or its equivalent is to gain assurance that risk management processes are working effectively and that key risks are being managed to an acceptable level.

It is likely that assurance will come from different sources. Of these, assurance from management is fundamental. This should be complemented by the provision of objective assurance, for which the internal audit activity is a key source. Other sources include external auditors and independent specialist reviews. Internal auditors will normally provide assurances on three areas:

- Risk management processes, both their design and how well they are working.
- Management of those risks classified as 'key', including the effectiveness of the controls and other responses to them; and
- Reliable and appropriate assessment of risks and reporting of risk and control status.

The role of internal auditing in Enterprise risk management

Internal auditing is an independent, objective assurance and consulting activity. Its core role with regard to ERM is to provide objective assurance to the board on the effectiveness of risk management. Indeed, research has shown that board directors and internal auditors agree that the two most important ways that internal auditing provides value to Ceylon Hospitals PLC are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively.

The key factors to consider when determining internal auditor's role is whether the activity raises any threats to the internal audit activity's independence and objectivity and whether it is likely to improve Ceylon Hospitals PLC's risk management, control and governance processes. Due actions based on auditors' recommendation are taken and risk mitigation plans are adhered is currently being overseen by the Board Audit Committee.