# Indigenous Business Australia

## Risk Management Framework and Practice Strategy

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Risk Management Framework

1 Introduction

The *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) provides the purpose, functions and the type of business IBA is involved in.

The pursuit of IBA’s objectives will involve a range of risks that must be identified at an early stage, assessed and then mitigated against if we are to be successful in all the activities we undertake. IBA has responsibilities to both the Australian Government and our Indigenous clients to be responsible, efficient and effective in all our activities.

IBA’s Risk Management Framework and Practice is consistent with Australian / New Zealand Standard 4360:2004 titled “Risk Management”.

2 Organisational Background and Context

2.1 Political

IBA is a statutory authority of the Australian Government within the Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) Portfolio. IBA plays an important role in creating opportunities for Aboriginal and Torres Strait Islander individuals and communities to build assets and wealth.

2.2 Legal

IBA’s principal legislative basis is the *Aboriginal and Torres Strait Islander (ATSI) Act 2005*, which sets out its powers, functions, administrative and operational arrangements. Extracts from the legislation are contained in Appendix 1 of this document.

IBA is required to fulfil the requirements of the *Commonwealth Authorities and Companies (CAC) Act 1997*, which regulates certain aspects of the financial affairs of Commonwealth authorities, their reporting obligations, accountability, banking and investment obligations and the conduct of authorities’ officers.

Legislative requirements arising from the CAC Act and ATSI Act require IBA in the course of attaining its business outcomes to produce:

- a Corporate Plan;
- annual Financial Statements;
- an Annual Report;
- a Report to the Minister notifying of significant events as defined by the CAC Act; and
- an annual Compliance Report to the Finance Minister.

In addition, IBA is required to comply with a number of other legislative requirements.
2.3 **Objectives**

IBA’s Objective is:

“To provide quality leadership in facilitating and enabling Indigenous people’s engagement in the wider economy.

IBA will build and extend its role in meeting this objective by its strategic pathways.” (see below)

2.3.1 **Business Objectives**

1. Accumulate and use a substantial capital asset base for the benefit of Indigenous Australians
2. Encourage and facilitate Indigenous Australians’ ownership of sustainable small business
3. Bridge the gap in home ownership
4. Promote and encourage Indigenous Australians self-management and economic self-sufficiency

2.3.2 **Enabling Objectives**

1. Maintain good governance and effective financial management
2. Strive to become an employer of choice
3. Meet customer needs to a high standard
4. Undertake effective engagement with Indigenous, industry and other government stakeholders

2.3.3 **Strategic Pathways**

**Right Focus**
- On positive and sustainable outcomes for Aboriginal and Torres Strait Islander peoples
- On the economic empowerment of Aboriginal and Torres Strait Islander peoples

**Right Information**
- Products and services that meet the needs of Aboriginal and Torres Strait Islander peoples
- To influence broader policy development

**Right Relationships**
- With private sector
- With Aboriginal and Torres Strait Islander communities
- With Government

**Right People and Organisational Culture**
- To engage in a consultative manner with Aboriginal and Torres Strait Islander peoples

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1 As detailed in IBA’s draft Strategic Plan 2008-2013 and will be amended to reflect the Minister’s Statement of Expectation.
- To deliver on promises
- To be the employer of choice for Aboriginal and Torres Strait Islander peoples

**Right Business Processes**
- Which displays good corporate governance
- Which provides a framework of accountability

**Right Products and Services**
- Sensitive to the needs of the client
- Innovative, relevant and competitive

**Right Financial Results**
- Achieving an acceptable rate of return
- Demonstrating strong financial management
- Continuing the growth of the capital and asset base

**Right Profile and Reputation**
- That is based on delivery with integrity and empathy
- That is professional in nature
- That seeks to advance positive Aboriginal and Torres Strait Islander outcomes

2.4 Stakeholders

2.4.1 External

**Government and Minister**

IBA is situated in the FaHCSIA Portfolio.

The Chair and Board of IBA are appointed under section 157 of the ATSI Act by the Minister. The Chair and the Board are accountable to the Minister for the performance and strategic direction of IBA cognizant of the priorities of the Government. These priorities are often expressed in the policy framework developed and managed within the Minister’s Portfolio Department, in this case FaHCSIA.

The Secretary of FaHCSIA as the portfolio secretary is considered a key stakeholder.

**Indigenous communities, groups and individuals**

IBA’s purpose as set out by the ATSI Act is to assist and enhance Aboriginal and Torres Strait Islander self-management and economic development and to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.

Consequently, all Indigenous people may be affected by IBA’s activities, and may look to IBA to assist in improving their economic position. More specifically, IBA works with Indigenous individuals and families as clients and with Indigenous groups as clients and business partners. In the majority of cases these individuals and groups look to IBA to protect their interests and provide sound guidance and advice.
Private sector partners and other stakeholders

IBA has a range of private sector partners whose contribution of capital and expertise enhances IBA’s ability to achieve its objectives. These partners expect IBA to demonstrate good governance, sound judgement and to act with probity and professionalism.

In addition, IBA has an important relationship with a range of other stakeholders including State and Local Governments, banks and industry forums.

2.4.2 Internal

The Board

IBA has a Board of Directors that can consist of up to nine members and includes a Chairperson and Deputy Chairperson. It is the responsibility of the Board of IBA to ensure the proper and efficient performance of the functions of IBA and to determine the policy of IBA with respect to any matter.

Management

The day to day operations of IBA are controlled by the Chief Executive Officer\(^2\) and Deputy Chief Executive Officers supported by the IBA Management Team (ie the Assistant General Managers and Managers).

\(^{2}\) The General Manager is thereafter referred to as the Chief Executive Officer as per the resolution of the IBA Board.
2.5 Risk Management Framework

The IBA Risk Management Framework is an important component of IBA’s governance and policy framework as reflected in the following diagram.

```
Minister

Legislative and Policy Framework [ATSI and CAC Acts, other statutes and government policies]

Board (supported by Board Committees)
Set the strategic direction for IBA

IBA Objectives [detailed in Corporate & Strategic Plan]

Chief Executive Officer (General Manager) & staff
Manage the day to day affairs of IBA

Policies <-> Plans/Strategies <-> GMIs <-> Procedures

- Board Governance
- Charter & Board Delegations
- Program policies [e.g. Enterprise and Homes policies]
- Corporate policies [e.g. Collective agreement, Overseas Travel for IBA Staff, Procurement]
- These include:
  - IBA Risk Management Framework and Plan
  - Business Continuity Plan
  - Reconciliation Action Plan
  - Stakeholder Management Plan
- GMI categories
  - Code of Conduct
  - Human resources
  - OH&S
  - Finance
  - ICT
  - Communications
  - Governance/Legal Procurement
  - Complaints Handling
- Program and corporate procedures and guidelines

Stakeholder Engagement
Customer Service Charter

Communication & Implementation
- Quality control and placement on INtranet; training activities; decision-making (delegated authority); record-keeping

Internal Assurance:
- Control Testing; Program Compliance Reviews; Control Self Assessments; Internal Audit Program;
- Audit & Risk Committee

External Assurance:
- Australian National Audit Office, Office of Evaluation and Audit and reporting to Parliament
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3. **Risk Management Policy**

Indigenous Business Australia (IBA) is fully committed to managing its risks to ensure that we meet our objectives.

The pursuit of IBA's objectives will involve a range of risks that must be identified at an early stage, assessed and then mitigated against if we are to be successful in all the activities we undertake. IBA has responsibilities to both the Australian Government and our Indigenous clients to be responsible, efficient and effective in all our activities.

The Risk Management Framework and Practice is designed to provide IBA with an integrated and structured process to identify risk exposures across all of its activities and to provide an assurance that these exposures are adequately controlled and addressed.

The Risk Management Plan outlines business and strategic risks and key strategies to address those risks. Through the Risk Management Framework and Practice and Risk Management Plan, IBA seeks to best manage and control risk to the Government, stakeholders, the public, staff and IBA's assets.

The Risk Management Framework and Practice will be reviewed at least every three years and the Risk Management Plan will be reviewed annually following completion of the risk assessment. A risk assessment will be conducted annually by the IBA Management Team and at least every three years by the contracted internal auditors.

The intention is to integrate risk management fully into IBA's business planning and everyday business processes. The involvement and support of all staff is critical to achieving an effective result.

**Responsibilities for risk management in IBA:**

- The **Board** is responsible for ensuring the proper and efficient performance of the functions of IBA and to determine the policy of IBA.

- **IBA Audit and Risk Committee** is responsible to the Board for the ongoing monitoring and review of the adequacy of the risk management framework, including the actions agreed to in the Risk Management Plan.

- **IBA Chief Executive Officer and Deputy Chief Executive Officers** are responsible for the design and implementation of the framework, the implementation of policies and processes, controls and systems to support the risk management framework set by the Board.

- **IBA Assistant General Managers** develop within their branches a culture supporting the outcomes set within the risk management framework and corporate governance. They are responsible for promulgating risk management policies and practices, for managing individual business risks, for implementing the treatments identified in the Risk Management Plan and the periodic review of risk management activities and actions in the workplace.

- **The Assistant General Manager, Corporate supported by the Governance Officer** is responsible for coordinating the implementation of the Risk Management Framework, provide support and advice to staff, and to monitor and report progress to the Audit and Risk Committee.

- **All IBA staff, contractors and consultants** are required to understand factors likely to influence their ability to achieve IBA's goals and objectives relevant to
the performance of their roles. It is also important to understand that any risk factors must be identified upfront and then mitigated against, where necessary, if IBA is to achieve its legislative purposes and functions. It is therefore important that **IBA staff, contractors and consultants** become conversant with and implement risk management in their day to day activities.
4. Risk Management Practice

4.1 Introduction

Risks are inherent in everything we do. Risks assessments or evaluations may be conscious or subconscious. Risks may be intentional and/or unintentional.

Risk is defined as “the effect of uncertainty on objectives”\(^3\). A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. Risk may have a positive or negative impact. Risk management comprises “coordinated activities to direct and control an organization with regard to risk”

Risks can be internal or external to the organisation or a combination of both internal and external risks working together. Risk assessments are usually targeted at three levels of management activities and types of internal controls. These are broadly:

**Strategic – to provide direction required to achieve objectives:**
- Goals / Objectives
- High Level Policies
- Corporate Culture
- High Level Organisational Structure

**Tactical / Managerial – to further implementation of strategic plan:**
- Documented Policies and Standards
- Organisational Structure / Delegations / Accountabilities
- Plans / Outcomes / Critical Success Factors (includes Linkage to Goals / Objectives)
- Monitoring / Audit / Compliance / Review

**Operational – to address operational goals:**
- Documented Day to Day Procedures / Processes
- Segregation of Duties / Supervision / Checks & Balances
- Communication / Information Integrity and Control
- Resource Management and Control (includes people, know-how, property, plant and equipment, financial and other assets)

Risk assessments are usually undertaken at the project, program/branch and organisational levels and are integrated with relevant program and corporate objectives.

4.2 Risk Management Process

IBA adopts a risk management process which is consistent with the Australian Standard on Risk Management (AS/NZS 4360:2004). The main elements of the risk management process, as per the following diagram, include:

1. Continuously communicating and consulting with stakeholders;
2. Establishing IBA’s objectives, context and culture (the risk environment);
3. Identifying risks;
4. Analysing the identified risks;
5. Assessing or evaluating the risks;

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\(^3\) “Risk Management” AS/NZS ISO 31000:2009 (Standards Australia)
6. Treating or managing the risks; and  
7. Monitoring and reviewing the risk management and the risk environment regularly.

Diagram: The Risk Management Process [the section referred in brackets is detailed below]

4.2.1 Continuously communicating and consulting with stakeholders
Communication and consultation with external and internal stakeholders are important considerations at each step of the risk management process. The external and internal stakeholders may include:

- Australian Government and the Minister for Families, Housing, Community Services and Indigenous Affairs
- State and local governments
- Indigenous Land Councils, communities, groups and individuals
- Various Government Departments involved in economic development
- Private sector partners
- Banks
- Established industry forums
- The IBA Board
- Management
- Staff
- Suppliers and contractors
IBA’s Partnerships Branch and the State Coordinators have custodianship over IBA’s relationship with its external environment, through its Stakeholder Management Plan.

4.2.2 IBA’s objectives, context and culture

It is important to establish the objectives and the external, internal and risk management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established and the structure of the analysis should be defined and agreed to before a risk assessment is undertaken. Criteria may be affected by the perceptions of the stakeholders and by legal or regulatory requirements. It is important that appropriate criteria be determined at the outset.

It is important to define the depth and breadth of the risk management activities to be carried out by reference to the established objective, as well as the roles and responsibilities of those participating in the risk management process.

IBA’s contextual environment is a function of a range of factors including political expectations and legal requirements as well as corporate objectives and stakeholder interests.

The context may be at one or a combination of the following levels of activity: Strategic, Tactical/ Managerial and Operational (refer 4.1 above).

In setting the risk context there needs to be a clear understanding of IBA’s attitude, preference or tolerance to risk, or the amount of risk IBA is willing to bear (ie. risk appetite). This tolerance may be low (or risk averse), risk neutral, or something greater (risk seeking). IBA’s attitude to risk and its relationship with IBA objectives is determined by the Board following recommendation by the Audit and Risk Committee and responded by management depending on risk level (see 4.2.5 below).

4.2.3 Identifying risks

Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the business or program objectives.

The aim of risk identification is to develop a comprehensive list of sources of risks and events that might have an impact on the achievement of each of the objectives identified in establishing the risk management context. Approaches used to identify risks include checklists, judgements based on experience and records, flow charts, brainstorming, and systems analysis.

In identifying risks it can be useful to consider risks in different categories or classes. Classes of risk to which IBA is exposed might include:

- Political (external & internal eg. reputation)
- Economic (financial, commercial, market conditions, & budgetary constraints)
- Societal (people, trends, attitudes, relationships, service delivery communications etc)
- Technological (systems, etc)
- Environmental
- Legal (governance, compliance to legislation, fraud, public liability contracts and procurement etc)
- Employee and Human Resources; Safety and Security, OH&S
4.2.4 Analysing identified risks

The aim is to generate a comprehensive list of sources of risks and events that might have an impact on the achievement of each of the objectives. The following questions should be asked:

- What is the source of each risk?
- Who might be involved or impacted?
- What can happen, where and when?
- Why and how it can happen?
- What controls presently exist to treat this risk (maximize positive risks or minimize negative risks)?

Identify and evaluate existing controls that act to minimize negative risks or enhance positive risks and assess their strengths and weaknesses. The controls should be protective, detective and corrective type controls. A number of these type of controls may work together to mitigate the risk.

Determine the consequence and likelihood and hence the level of residual risk. This analysis should consider the range of potential consequences and how these could occur. The types of analysis are:

- (a) Qualitative analysis uses words to describe the magnitude of potential consequences and the likelihood that those consequences will occur.
- (b) Quantitative analysis uses numerical values (rather than the descriptive scales) for both consequence and likelihood using data from a variety of sources.

The level of risk is calculated as being proportional to each of its two components (consequence or likelihood) and is shown mathematically as:

\[ \text{Risk} = \text{Likelihood} \times \text{Consequence} \]
**Calculated Level of Risk Table:**

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Consequence</th>
</tr>
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<tbody>
<tr>
<td>Almost Certain 5</td>
<td>M</td>
</tr>
<tr>
<td>Likely 4</td>
<td>M</td>
</tr>
<tr>
<td>Possible 3</td>
<td>L</td>
</tr>
<tr>
<td>Unlikely 2</td>
<td>L</td>
</tr>
<tr>
<td>Rare 1</td>
<td>L</td>
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<th>Consequence</th>
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<tr>
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<td>Minor 2</td>
</tr>
<tr>
<td>Moderate 3</td>
<td>Major 4</td>
</tr>
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<td>Severe 5</td>
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<table>
<thead>
<tr>
<th>Likelihood:</th>
<th>Consequence:</th>
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<tbody>
<tr>
<td>(5) Almost certain</td>
<td>(5) Severe - would</td>
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<td></td>
<td>stop achievement of</td>
</tr>
<tr>
<td></td>
<td>functional goals /</td>
</tr>
<tr>
<td></td>
<td>objectives</td>
</tr>
<tr>
<td>(4) Likely</td>
<td>(4) Major - would</td>
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<tr>
<td></td>
<td>threaten functional</td>
</tr>
<tr>
<td></td>
<td>objectives</td>
</tr>
<tr>
<td>(3) Possible</td>
<td>(3) Moderate -</td>
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<td>necessitates</td>
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<td>significant</td>
</tr>
<tr>
<td></td>
<td>adjustment to overall</td>
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<tr>
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<td>function</td>
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<tr>
<td>(2) Unlikely</td>
<td>(2) Minor - would</td>
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<tr>
<td></td>
<td>threaten an element</td>
</tr>
<tr>
<td></td>
<td>of function</td>
</tr>
<tr>
<td>(1) Rare</td>
<td>(1) Negligible -</td>
</tr>
<tr>
<td></td>
<td>lower consequence</td>
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</table>

**Risk Register**

Each identified risk should be recorded in a risk register, including
- A description of the risk, its causes and impacts;
- An outline of existing controls;
- An assessment of the likelihood and consequences of the risk;
- An overall risk rating;
- An overall priority for the risk; and
- Whether the risk is acceptable or unacceptable.
Separate risk registers may be maintained within different program areas, but a consolidated whole of IBA register will be maintained by IBA’s Corporate area. It is critical therefore that any changes to program risk registers are reflected in the consolidated risk register.

An example of the risk register is contained in Appendix 2.

4.2.5 Evaluating the risks

IBA does not have limitless resources to take advantage of opportunities or to deal with adverse risk so it needs to define its priorities. Therefore it is necessary to compare assessed estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities. Note that the criteria for deciding whether a risk needs to be treated are often set with reference to events from similar activities in the past or by background risks experienced in daily life. However data can be distorted by:

- Large incidents, one-off catastrophes;
- A declining level of risk due to increased controls as lessons have been learned from the incidents and the standards of control have improved; and
- Changes in the activities or circumstance covered now as compared with the past situation.

Based on the calculated levels of risk, a risk is deemed acceptable or unacceptable as outlined in the following table:

<table>
<thead>
<tr>
<th>Calculated Level of Risk</th>
<th>Treatment Required</th>
</tr>
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<tr>
<td>(H) High risk; (VH) Very High risk</td>
<td>Unacceptable</td>
</tr>
<tr>
<td>(S) Significant risk</td>
<td>Unacceptable</td>
</tr>
<tr>
<td>(M) Moderate risk</td>
<td>Acceptable</td>
</tr>
<tr>
<td>(L) Low risk</td>
<td>Acceptable</td>
</tr>
</tbody>
</table>

4.2.6 Treating or managing the risks

Risk treatment involves identifying the range of options for treating risks, assessing these options and the preparation and implementation of treatment plans.

Treatment options for risks having positive outcomes

Treatment actions may include:

- Actively seeking an opportunity by deciding to start or continue with an activity likely to create or maintain it (where this is practicable);
- Changing the likelihood of the opportunity, to enhance the likelihood of beneficial outcomes;
- Changing the consequences, to increase the extent of the gains;
- Sharing the opportunity; and
- Accepting the residual opportunity.
Treatment options for risks having negative outcomes

Treatment actions may include:

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk (where this is practicable);
- Changing the likelihood of the risk, to reduce the likelihood of the negative outcomes;
- Changing the consequences, to reduce the extent of the losses;
- Sharing the risk. This involves another party or parties bearing or sharing some part of the risk, preferably by mutual consent. Mechanisms include the use of contracts, insurance arrangements and organizational structures such as partnerships and joint ventures to spread responsibility and liability; and
- Accepting the risk by informed decision.

Treatment actions are to be recorded in the risk register. An example of a risk register is contained in Appendix 2.

4.2.7 Monitoring and reviewing risk management

It is necessary to monitor the effectiveness of all steps of the risk management process. The IBA Executive, Audit and Risk Committee and Board will monitor risks, the effectiveness and appropriateness of risk treatments and the risk management framework as a whole.

The results of the monitoring and review process, which should be continuous and dynamic, will inform the ongoing process of continuous improvement and development of the risk management framework and its supporting risk management plans.

Risk Management will be assessed against the following criteria:

1. Level of satisfaction by the Audit and Risk Committee and Board on the effectiveness of risk management in IBA
2. Evidence that risk management has facilitated the achievement of IBA objectives.

To support these processes, the following components are being developed and implemented as part of the IBA risk management framework:

- Risk Management and Fraud Control Plans
- Audit and assurance processes (eg. internal audit, control self assessments and Comcover insurance schedule)
- External Audit involvement in the appraisal of risks
- Monitoring and reporting processes (reporting to Board and Government reporting including CAC Act requirements)
- Review and evaluation processes

4.2.8 Record keeping

The documentation of risk information is important to demonstrate that a risk assessment took place and that a certain course of action was chosen for specific reasons. All documents, including risk registers are to be filed in accordance with the General Manager’s Instruction on Records Management.
Appendix 1: Extracts from Legislation

**Aboriginal and Torres Strait Islander (ATS) Act 2005**

**Section 146 Purposes of Indigenous Business Australia**

Indigenous Business Australia is established:

(a) To assist and enhance Aboriginal and Torres Strait Islander self management and economic self sufficiency; and

(b) To advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.

**Section 147 Functions of Indigenous Business Australia**

(1) Indigenous Business Australia has the following functions:

(a) To engage in commercial activities;

(b) To promote and encourage Aboriginal and Torres Strait Islander self management and economic self sufficiency;

(c) Such other functions as are conferred on it by this Act.

(2) Without limiting by implication the meaning of commercial activities in paragraph (1) (a), those activities include the performance of functions that:

(a) The Minister has authorised Indigenous Business Australia to perform as an agent of the Commonwealth; or

(b) The Minister has delegated to Indigenous Business Australia.

**Section 148 Performance of functions**

(1) In performing its functions, Indigenous Business Australia shall act in accordance with sound business principles.

(2) For the purpose of the performance of Indigenous Business Australia's functions, the Indigenous Business Australia Board must have regard to the desirability of:

(a) Encouraging and facilitating Aboriginal and Torres Strait Islander participation in commercial projects and enterprises;

(b) Securing, as far as practicable, Aboriginal and Torres Strait Islander participation in the ownership and control of companies engaged in activities that are likely to have a significant impact on Aboriginal or Torres Strait Islander interests;

(c) Promoting the development of industries and other commercial and economic activities that are likely to have a beneficial impact on Aboriginal or Torres Strait Islander interests; and

(d) Making specialist commercial expertise available to Aboriginal persons and Torres Strait Islanders engaged in commercial activities.

(3) This section does not apply to:

(a) Business loans or housing loans made, or treated as having been made, by Indigenous Business Australia; or

(b) Any grants made, or treated as having been made, by Indigenous Business Australia in relation to business loans or housing loans; or
(c) Guarantees provided, or treated as having been provided, by Indigenous Business Australia in relation to business loans or housing loans.

**Commonwealth Authorities and Companies Act, 1997**

Under Section 149 of the CAC Act, the Indigenous Business Australia Board must from time to time prepare a corporate plan:

(a) Setting out a statement of Indigenous Business Australia's objectives; and

(b) Outlining the strategies and policies that the Board intends to adopt in order to achieve those objectives, with particular reference to the Board’s intentions in relation to investments, loans, guarantees and other financial aspects of its operations.
## Appendix 2: Example Risk Register

<table>
<thead>
<tr>
<th>TYPE</th>
<th>REF</th>
<th>OBJECTIVE</th>
<th>THE RISK</th>
<th>RISK OWNER</th>
<th>INHERENT RISK LEVEL</th>
<th>RESIDUAL RISK LEVEL</th>
<th>TARGET RISK LEVEL</th>
<th>CURRENT CONTROL STRATEGIES AND THEIR EFFECTIVENESS (ADEQUATE, MODERATELY EFFECTIVE, INEFFECTIVE)</th>
<th>FUTURE TREATMENTS</th>
<th>ASSURANCE</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td>WHAT CAN HAPPEN? HOW CAN THIS HAPPEN? WHAT IS THE IMPACT?</td>
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</tbody>
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|      |     |           |          |            |                   |                   |                   |                                                               |                 |           |        |

4 Includes strategic and business risks. Key strategic risks include meeting program objectives, political/reputation and public profile.
5 Includes Business Objectives (B) & Enabling Objectives (E) as detailed in the IBA Strategic Plan 2008–2013
6 Inherent risk is based on no controls. Residual risk is based on current control strategies. Target risk is based on any future treatments.
7 Includes continual review and improvement.
8 Traffic Light Status

**COMPLETED**
Completed

**ON-TRACK**
Signifies everything is on track in terms of deliverables, scope, budget and timeframe.

**MINOR DELAY**
Signifies that particular items need to be referred for advice and/or assistance with a view to taking corrective action.

**MAJOR DELAY**
Signifies there is a problem that requires an immediate response from Senior Management.
## Appendix 3: Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>Consequence</td>
<td>outcome of an event affecting objectives</td>
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<tr>
<td></td>
<td>NOTE 1 An event can lead to a range of consequences.</td>
</tr>
<tr>
<td></td>
<td>NOTE 2 A consequence can be certain or uncertain and can have positive or</td>
</tr>
<tr>
<td></td>
<td>negative effects on objectives.</td>
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<tr>
<td></td>
<td>NOTE 3 Consequences can be expressed qualitatively or quantitatively.</td>
</tr>
<tr>
<td></td>
<td>NOTE 4 Initial consequences can escalate through knock-on effects.</td>
</tr>
<tr>
<td>Control</td>
<td>an existing process, policy, device, practice or other action that acts</td>
</tr>
<tr>
<td></td>
<td>to minimize negative risks or enhance positive opportunities</td>
</tr>
<tr>
<td>Event</td>
<td>occurrence or change of a particular set of circumstances</td>
</tr>
<tr>
<td>Level of Risk</td>
<td>magnitude of a risk or combination of risks, expressed in terms of</td>
</tr>
<tr>
<td></td>
<td>the combination of consequences and their likelihood</td>
</tr>
<tr>
<td>Likelihood</td>
<td>chance of something happening</td>
</tr>
<tr>
<td>Residual risk</td>
<td>remaining risk after implementation of current control strategies</td>
</tr>
<tr>
<td>Risk</td>
<td>effect of uncertainty on objectives.</td>
</tr>
<tr>
<td></td>
<td>NOTE 1 An effect is a deviation from the expected — positive and/or negative.</td>
</tr>
<tr>
<td></td>
<td>NOTE 2 Objectives can have different aspects (such as financial, health and</td>
</tr>
<tr>
<td></td>
<td>safety, and environmental goals) and can apply at different levels (such</td>
</tr>
<tr>
<td></td>
<td>as strategic, organization-wide, project, product and process).</td>
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<td></td>
<td>NOTE 3 Risk is often characterized by reference to potential events and</td>
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<tr>
<td></td>
<td>consequences, or a combination of these.</td>
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<tr>
<td>Risk appetite</td>
<td>Amount and type of risk that an organisation is prepared to pursue,</td>
</tr>
<tr>
<td></td>
<td>retain or take</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>overall process of risk identification, risk analysis, and risk evaluation</td>
</tr>
<tr>
<td>Risk analysis</td>
<td>process to comprehend the nature of risk and to determine the level of</td>
</tr>
<tr>
<td></td>
<td>risk</td>
</tr>
<tr>
<td>Risk evaluation</td>
<td>process of comparing the results of risk analysis with risk criteria to</td>
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<tr>
<td></td>
<td>determine whether the risk and/or its magnitude is acceptable or</td>
</tr>
<tr>
<td></td>
<td>tolerable</td>
</tr>
<tr>
<td>Risk identification</td>
<td>process of finding, recognizing and describing risks</td>
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<tr>
<td>Risk management</td>
<td>coordinated activities to direct and control an organization with</td>
</tr>
<tr>
<td></td>
<td>regard to risk</td>
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<tr>
<td>Risk management</td>
<td>set of components that provide the foundations and organizational</td>
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<tr>
<td>framework</td>
<td>arrangements for designing, implementing, monitoring, reviewing and</td>
</tr>
<tr>
<td></td>
<td>continually improving risk management throughout the organization</td>
</tr>
<tr>
<td></td>
<td>NOTE 1 The foundations include the policy, objectives, mandate and</td>
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<td></td>
<td>commitment to manage risk.</td>
</tr>
<tr>
<td></td>
<td>NOTE 2 The organizational arrangements include plans, relationships,</td>
</tr>
<tr>
<td></td>
<td>accountabilities, resources, processes and activities.</td>
</tr>
<tr>
<td></td>
<td>NOTE 3 The risk management framework is embedded within the organization's</td>
</tr>
<tr>
<td></td>
<td>overall strategic and operational policies and practices.</td>
</tr>
<tr>
<td>Risk treatment</td>
<td>process to modify risk</td>
</tr>
</tbody>
</table>

## Appendix 4: References

Comcover 2008 Risk Management Better Practice Guide  