



Australian Government
Office of the Registrar of Indigenous Corporations

Strategic risk framework





What is the purpose of our strategic risk framework?

Our strategic risk framework describes our risk processes, from the information we collect and how we use it to evaluate risk priorities, through to planning meaningful measurable responses. The framework helps us to identify where and how to focus our resources.

What do we mean by strategic risk?

By strategic risk, we mean uncertainties in our operating environment that may adversely affect our regulatory aims, or the sustainability or viability of Aboriginal and Torres Strait Islander corporations, the communities they serve or the implementation of the broader government agenda. Assessing strategic risk means focusing on the big picture—long-term, high-impact risks—and looking ahead, to identify emerging patterns and trends that necessitate a shift in our approach.

Risk formula

The standard formula for risk, used in association with the international standard (ISO 31000), describes risk as a combination of:

- likelihood—how likely is it the uncertain event will come to pass? Is there a credible threat?
Are there vulnerabilities that make it more likely?
- consequence—what is the severity of the harm that would be caused, and to who?
How extensive would the effects be?

Risks that most warrant mitigation are those that are severe in consequence and likely to occur.

$$\text{Risk} = \text{Likelihood (threat \& vulnerability)} \times \text{Consequence (harm)}$$

Risk in our regulatory context

ORIC deals with risk every day.

Our general approach to regulation, and how we direct our finite resources to provide support and use powers, is informed by both strategic and individual case level risk. The three categories of strategic risk that we take into account are set out below. When we consider individual cases, we assess the risks presented and determine what we should do and how. Our approach is detailed in our *Case categorisation and prioritisation model*.

Categories of strategic risk

In identifying strategic risk, we consider risks to registered corporations, to our own operations, and to the broader environment in which both ORIC and corporations operate.

Risks to Aboriginal and Torres Strait Islander corporations

Risks to Aboriginal and Torres Strait islander corporations are further divided into seven classes:

- **diligence:** failure in the governance of the corporation—including directors not meeting their obligations and duties, poor practices around directors' and general meetings and registration of members.
- **mismanagement:** failure in the management of the corporation—for example, the corporation is poorly run and has poor financial accounting practices and a general lack of record-keeping relating to the management of the corporation
- **disputes:** conflict or division within or between corporations, directors, officers and members, which restricts the corporation's capacity to carry out its objectives
- **fraud:** behaviour or circumstances involving fraud
- **defunct:** where the corporation is not operating, but has not been wound up
- **interference:** people unduly influencing or interfering in decisions of directors and activities of the corporation
- **objectives:** instances where corporation resources have been used to pursue activities outside the corporation's objectives.

Risks in the environment

Risks in the environment refers to risks relating to communities and to broader government policy that could affect Aboriginal and Torres Strait Islander corporations:

- changes in government strategic outcomes and funding arrangements (e.g. a change in government)
- changes in community and social factors (e.g. population shifts)
- economic factors (e.g. a mining down-turn)
- environmental factors (e.g. a major flood).

Risks to ORIC's operations

Risks to ORIC's own operations affect our ability to deliver on our regulatory mission effectively, and include:

- matters that could affect the reputation of ORIC
- changes to capability, staffing, resources and funding
- impacts on the credibility of the CATSI Act and the regulatory framework.

Risks to Aboriginal and Torres Strait Islander corporations

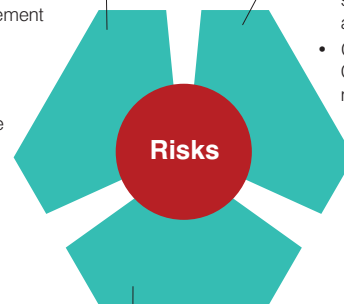
- Diligence
- Mismanagement
- Disputes
- Fraud
- Defunct
- Interference
- Objectives

Risks to ORIC's own operations

- Reputation of ORIC
- Changes to capability, staffing, resources and funding
- Credibility of the CATSI Act and regulatory framework

Risks in the operating environment

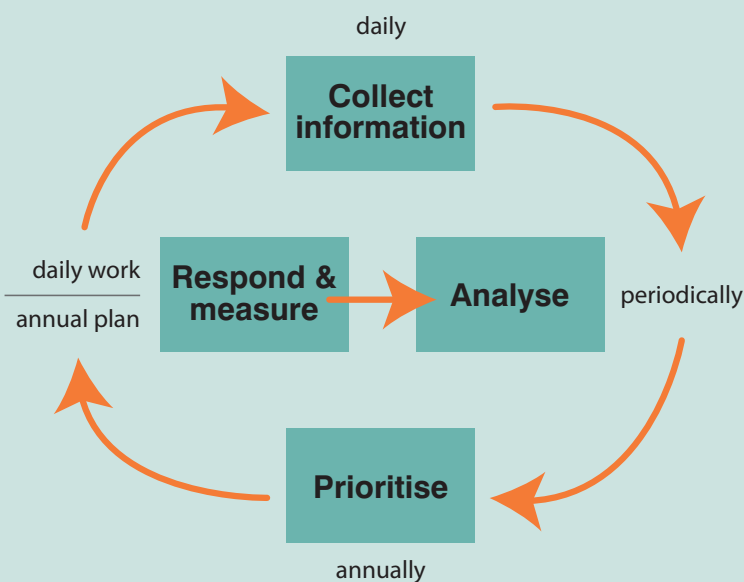
- Changes in policy and funding arrangements
- Community and social factors
- Economic factors
- Environmental factors



How do we identify and deal with strategic risk?

We have a four-part strategic risk prioritisation process based on ISO 31000:2009 *Risk management – Principles and guidelines*. The process is intended to remain simple, in recognition of ORIC’s size and available resources.

Our risk mitigation cycle



Collect information

ORIC staff collect information from a variety of sources—on a daily basis—including reports lodged by Aboriginal and Torres Strait Islander corporations, complaints, inquiries and government agencies. Regional officers in particular gain first-hand knowledge of emerging issues through their work with corporations.

Analyse information

Analysis of incoming information occurs regularly, through reports to staff meetings and in periodic meetings of the risk working group, which evaluates the success of our responses to known risks, as well as the risk of emerging issues. The risk working group may refer issues to the senior management team at any time but at a minimum, feeds analysis into our annual strategic and business planning.

Prioritise

At our annual strategic and business planning workshop, we evaluate the risk working group’s findings, and set priorities according to our strategic risk principles (see overleaf). The priorities are then assigned to business areas to prepare a risk response plan.

Respond and measure

Business areas develop a response plan for each priority risk and implement it. A response plan describes changes to our usual programs or processes, as well as any special initiatives that may be required. It will also include how the response’s success is to be measured. Performance against the strategic priorities will be measured on an annual basis by the risk working group, and incorporated into our annual strategic and business planning process.

Strategic risk principles

We evaluate and prioritise strategic risk according to a defined set of principles:

Potential consequences: what is the potential for harm to corporations, communities or other stakeholders? What is the potential extent of that harm? How many people could be affected?

Likelihood: how likely is it that the risk will manifest? Is it a high or low probability that the risk will come to pass, and that the consequences will be realised?

Cost-effectiveness of a response: is the risk in scope for the Registrar, and do we have the capability to do something about it? If so, what is the likely cost of a response and what value will it add?

Integrity of legislative framework: what is the threat to the credibility of the CATSI Act, and our ability to uphold it? What precedents may be set? Are there likely flow-on impacts to the rest of the sector?

Public interest: what is the alignment to broader government goals and the public interest? Is there a threat to government funding, or the Minister's statement of expectations?

Diversity of risks: have we addressed all categories of strategic risk in our priorities—to Aboriginal and Torres Strait Islander corporations, to the sector as a whole, and to ORIC's operations?

Risk working group

Our risk working group will meet to:

- monitor our response to previously identified risks
- identify emerging risks and trends in the operating environment
- improve our capability to assess and manage risk
- report to our annual strategic and business planning process.

It comprises a selection of officers from different business areas across ORIC, and is chaired by the Registrar or Deputy Registrar.

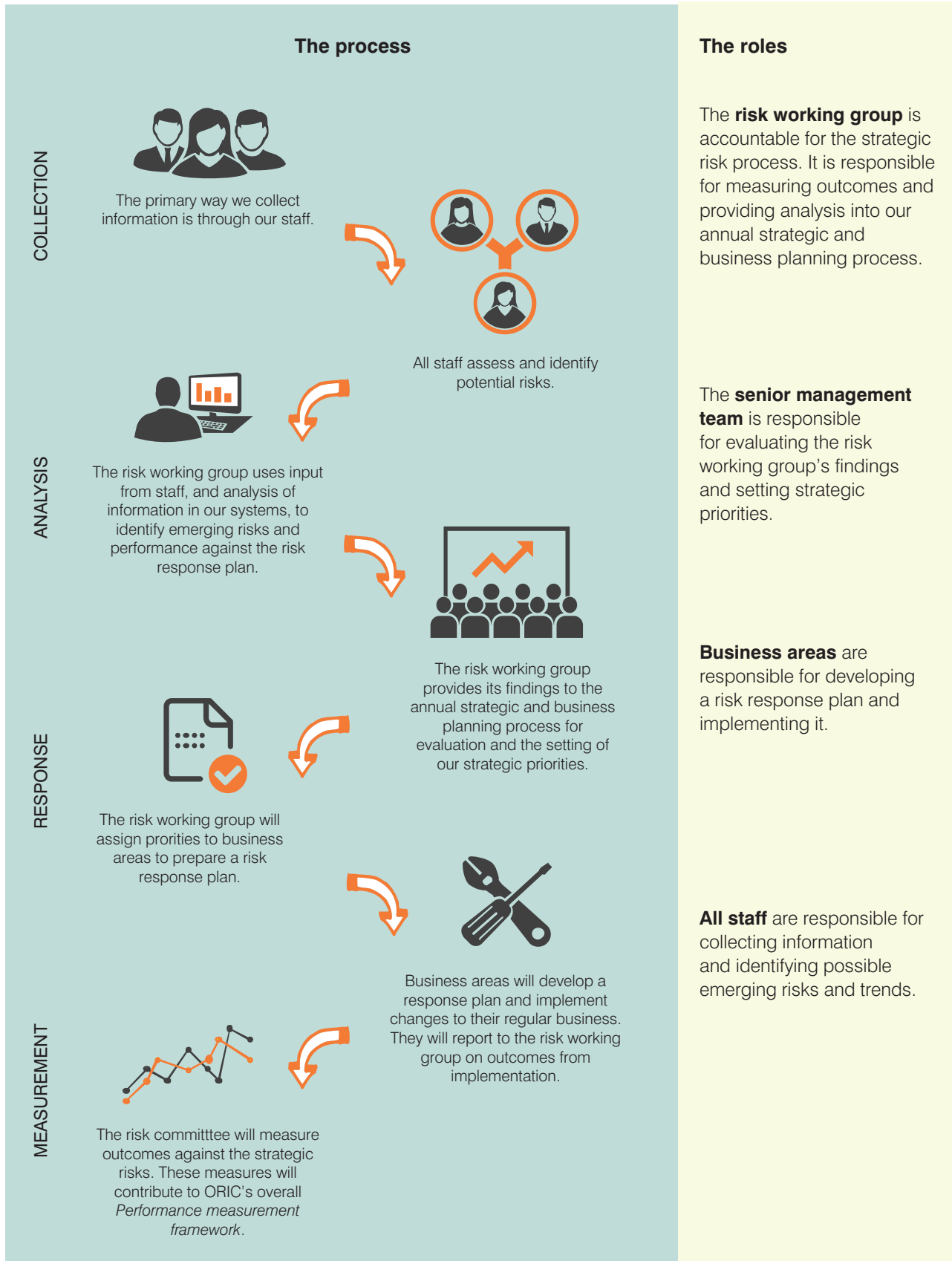
Risk response plans

A risk response plan deals with:

- what the risk is
- how we mitigate the risk
- how we measure our success in addressing the risk
- any changes required to our business processes (e.g. to examinations program, training syllabus or support services)
- any special initiatives that we will undertake (e.g. campaigns or research projects).

The risk response plan will be incorporated into our annual strategic and business planning process.

Strategic risk framework process



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