Comcover Awards for Excellence 2010
Case Studies of Award-Winning Agencies

Foreword

It is with pleasure I present to you Comcover’s first case study booklet, showcasing the risk management practices of nine award-winning agencies from Comcover’s 2010 Awards for Excellence in Risk Management.

All nine agencies present their own specific approach to identifying, analysing, evaluating and treating risk. Each agency has demonstrated that by adopting a targeted approach to developing and implementing appropriate frameworks to manage risk, they have been able to positively influence the outcomes of the agency.

The nominations this year have shown that there is a heightened awareness in agencies about the benefits of managing risk at the executive level, demonstrated by a greater level of commitment to the allocation of resources. Agencies are also identifying specific areas within their organisational structure in which targeted risk strategies can gain traction by investing in staff training, greater engagement of stakeholders, as well as implementing procedures for escalating notification of risk, facilitating an effective and systematic response to risk.

The Comcover Awards for Excellence in Risk Management are based on the demonstration of true leadership in the field of risk management and highlight the substantial ongoing benefits of risk management in achieving the current and future outcomes of Australian Government agencies.

One of Comcover’s key objectives, supported by the Awards, is to achieve significant and sustainable cultural change in risk management and insurance practices within Australian Government agencies. The recognition of agencies that excel in risk management is an integral part of promoting cultural change and also a means of recognising Government reform that has been achieved.

Philip Smith
Manager
Comcover
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Australian Broadcasting Corporation

Winner

Overview

The ABC’s Enterprise-wide risk management program is an excellent example of how the engagement and commitment of senior executives ensures the success of risk management throughout an agency. The ABC’s approach also highlights the importance of finding risk champions and how these people can support and guide the development of a positive risk culture in an agency.

The ABC is an innovative organisation operating in a constantly changing media environment.

From 2006, the ABC Board, through its Audit and Risk Committee, has developed and implemented a comprehensive approach to managing risk in which they have invested a significant amount of time and resources over the past four years in building and embedding the agency’s approach to managing risk.

The Risk Management Framework - Creating the foundation to effectively manage risk

ABC’s risk management framework recognises the importance of developing a positive risk culture and that leadership, communication, and the integration of risk management with other governance frameworks are critical elements in achieving change within an agency.

The ABC has established these foundations by promoting the Executive Risk Committee (ERC) as risk champions, as well as conduits for cross-divisional communication, integrating risk management practices within key processes, providing education and training, and by providing personalised assistance and advice to business areas.

Prior to implementing its comprehensive risk management program, the ABC Board recognised that risk culture varied across different Divisions; each Division had its own version of risk management processes and templates.

The ABC’s approach to adopting better risk management practices was to establish a ‘baseline’ for managing its risks which in-turn informed the development of an implementation plan. These strategies evolved the ABC’s existing risk management practices to the next level of maturity. While the plan was agreed to and signed-off by the ABC Board, the ABC recognises that this process is ongoing, and is striving to remain at best practice levels.

Implementing strategies, plans and processes

The first step in the implementation process was the appointment of a dedicated Manager of Risk and Insurance and the creation of a Risk and Insurance Team. The Risk and Insurance Team reports directly to the Director of Business Services, who in-turn reports to the Chief Operating Officer; ABC’s Risk Sponsor.

In May 2007, the Executive Risk Committee (ERC) was established and a Charter for its operations and responsibilities was developed and endorsed. The Executive Risk Committee meet every six weeks to discuss key risks and to monitor and update the Corporate Risk Profile. It also reports twice a year to the Board’s Audit and Risk Committee (ARC) on the high-priority risks faced by the ABC.
ABC’s Risk Program was designed to create a common understanding of risk throughout the agency by consolidating the various risk management methods being used and by developing a more consistent approach to the management of risk, including philosophy, terminology and methodology. In addition, the ABC’s risk management program aims to build a firm foundation of support for business areas by promoting the use of risk expertise across the agency. This process is facilitated within each Division by identifying and engaging ‘Risk Champions’ to promote risk initiatives. Risk Champions also support and guide their colleagues, as well as share risk information both within and across the ABC.

The Risk Program was specifically designed to engage other ABC management committees. These committees provide oversight for specific categories of risk, such as Editorial Policies Group, Policy Reference Group, Contract Review Committee, Green Futures Committee, State Executive Committees and the Pandemic Planning Group.

Also, many of the members of the ERC are members of non-risk management committees and they champion the management of risk by raising awareness, integrating risk practices within their committee’s processes, and by providing advice and assistance. This process has ensured that the management of risk is becoming more deeply embedded in the ABC’s corporate culture.

Since the implementation of the agency’s risk management framework, the ‘pockets’ of risk awareness have grown and now there is a broader understanding of risk throughout the agency. For example, business areas that may have considered themselves quite specialised have discovered that other areas share the same risks and/or have found solutions to common risks, or may be able provide further insight through ‘fresh eyes’.

The ABC acknowledges that achieving a truly proactive risk culture is a long-term goal. There is still work to be done in this area by further simplifying and automating the risk management process, and by strengthening the perceived value of risk management practices.
Communicating change

When the Risk Program was launched in 2007, the ERC was already actively involved in the development of the agency’s risk policy and framework. This ensured that the framework was not created in isolation from ABC’s general business and that the risk program was ‘fit for the ABC’. When the policy and framework were approved by the Board in December 2007, the policies and procedures had already been communicated to Divisions through ERC members, the Policy Reference Group, the Operations Support Group, and information about the changes were made available to all employees via the ABC intranet.

The RMF was formally launched in 2008. In order to promote the Policy and Framework and to raise the general awareness among staff, the Risk and Insurance Team conducted 26 risk management workshops involving 290 senior personnel across the ABC. Information gathered in these workshops was used to develop the Corporate Risk Profile. Regular review of the Corporate Risk Profile encourages the timely application of risk treatments, and with regular use builds confidence and enables the Risk Insurance Team to provide one-on-one coaching.

The risk management assessments undertaken in contract development, procurement, international travel, outside broadcasts and events management were revised and/or embedded.

Risk management has been incorporated into the ABC’s induction program for new starters and within the leadership programs provided by the People & Learning Division. Information on risk management also forms part of ABC’s general training program which is provided by its various divisions; such as setting minimum training requirements for their personnel; or by other risk functions such as OHS, delegations, project management, fraud control, business resilience planning and other training exercises.

Assessing risk – moving from manual to automated systems

Until the Review, the ABC had been working with manual risk assessment processes to record and report risk information. With the introduction of the RMF, an initial goal was to create an understanding of risk across the agency, without generating a perception that risk management was difficult or complicated. During this phase of its implementation, which included education and training, the ABC fine-tuned its manual tools, templates, records and reporting, which in-turn informed the next stage – automation of its risk management recording and reporting.

The ABC Risk Assessment Matrix is a key component of its toolbox, capturing in one page the ABC’s risk appetite, evaluation, action and escalation thresholds. The matrix identifies 8 risk categories of exposure; thresholds for consequence ratings for each category; thresholds for likelihood ratings; and a ‘heat map’ reflecting the agency’s risk tolerance and linked to thresholds for action and escalation.

The matrix has a unique numbering system to help the identification and prioritisation of consequence and likelihood ratings. The level of risk rating in the matrix reflects and assists the Risk Insurance Team to review how the matrix was applied and whether further coaching in its use would be beneficial.

To assess its risks, the ABC uses a basic template format but customises the template accordingly. For example, the context section of a procurement risk assessment outlines the objective, annual and whole of life cost and term of the agreement, whereas the context for an event outlines the purpose, size, location, resources, relationships, marketing, guests, audience, etc. Alternatively the template may include a ‘hazard checklist’ which prompts the user it identify the risks related to a particular activity. This will also link to other resources on the intranet that provides guidance on the identified hazard and provides advice on relevant controls. These tools are constantly being revised in consultation with business groups, both to improve usability and to reflect the maturity of the systems users.
The cost of managing risk

The cost of managing risk is measured and monitored in a number of ways across the ABC to ensure adequate resources are available and applied to managing risk.

The actual costs of managing risk to the ABC include:
- Engaging internal and external risk specialists and expertise;
- Implementation of controls and treatment strategies;
- Insurance premiums to cover material losses; and
- Potential costs of risk as identified through cost benefit analysis of projects, and contracts or agreements.

Also the potential cost of risk is considered in a number of ways including risk assessments and cost-benefit analysis; incident, loss events and claims management data; financial management data; faults and interruption data; feedback and complaints data; contract management including assessing liabilities and indemnities; program, assignment and event planning.

Risk profiling and reporting

The ABC’s Risk Reporting Framework outlines what risk information needs to be captured and reported including strategic, operational and project risk. To ensure the accuracy of its data, the ABC conducts an annual bottom-up review of risk identification and assessment.

In 2008, the ABC developed its first comprehensive Corporate Risk Profile of strategic risks. These risks were identified by using information gathered through a series of risk management workshops involving senior staff from across the agency. The resulting profile is periodically assessed and updated by the ERC and provided to the ARC twice annually. The ARC takes an active role in this process and may adjust the ratings or amend the risks or related information during the cycle in order to more effectively manage individual risks.

In addition to the formal risk reporting processes, other executive and operational reporting mechanisms were enhanced to incorporate risk-based information to assist with decision-making, and to ensure the escalation of issues to the appropriate management level.

The Corporate-wide level incident reporting includes OHS investigations, internal and external audits, compliance checklists, capital project plans and submissions to the contracts review committee, and business continuity and disaster recovery plans.

The ABC also actively monitors emerging risks encountered by its peers and considers the impact, tangible and intangible; a similar experience could be had by the ABC. This enables the agency to review its response plans and allocate resources to action them where necessary. For example pressure on global systems (e.g. GFC or natural disasters); media commentary on other public broadcasters (e.g. BBC); threats or violence against the media; as well as opportunities such as innovative solutions (e.g. MediaHub) and programing (e.g. Q&A during elections).
Department of Families, Housing, Community Services and Indigenous Affairs

Highly Commended

Overview

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) has undertaken a systematic, coordinated and executive-led approach to the development and implementation of its risk management framework and practices. The agency has sought to learn from the experience of other government agencies and to address areas of weakness identified through staff surveys and audit evaluations.

The result has been the development of a risk management system that is, effectively promoted across the agency, and is being increasingly embedded in the daily work practices of staff.

The risk management journey – transforming a large agency

FaHCSIA understands that effective risk management requires an investment in its people, processes and tools. FaHCSIA is also aware of the correlation between organisational risk management maturity and the level of investment made to develop and embed enterprise-wide risk management into its governance processes.

FaHCSIA’s approach to implementation of their enterprise wide framework is unique. Two teams have been established to focus on developing consistent, integrated risk management practices, processes and tools. The first, the Risk Management Team, focuses on the enterprise-wide risk environment and the development of the organisational risk management culture. The key responsibilities of this team are:

- building FaHCSIA’s risk management maturity;
- development and implementation of FaHCSIA’s risk management policy and processes;
- integrating specific implementation risks;
- developing and implementing FaHCSIA’s business planning and risk management processes and integrating these with budget allocation processes;
- reporting to the Executive Management Group (EMG) and the Risk Assessment and Audit Committee (RAAC) on the its performance in identifying and managing risk;
- integrating risk management principles and processes with other agency policies, planning and decision making processes;
- identifying and delivering new initiatives that will strengthen organisational awareness, capability and competency in identifying and managing risks; and
- providing education, guidance and support on risk management practices, processes and tools - the team also provides guidance and support for identifying, analysing, evaluating, treating and reviewing risks.
The second team, the Program Risk Management Team, focuses on supporting the management of risk in program management. This includes analysis of program and service delivery risks; the design and implementation of risk and quality assurance tools and processes; and providing assistance to program areas and assistance in undertaking provider and service delivery risk assessments. This Section also provides ongoing monitoring and reporting on the effectiveness of program risk management to Risk Assessment and Audit Committee and the Program Management Committee.

Implementation strategies, plans and processes

The Executive Management Group (EMG) oversees the agency’s operations by allocating resources, monitoring performance and risk, and ensuring that FaHCSIA meets its regulatory requirements. It also provides a forum to manage cross-group issues, and guides, coordinates and champions key organisational reform processes. EMG’s charter expressly identifies the management of risk as one of its responsibilities as well as overseeing FaHCSIA’s business continuity plan (BCP).

In April 2010, the EMG agreed that the agency’s risk management approach would be further strengthened by implementing a ‘subset’ to FaHCSIA’s strategic risks to be known as ‘Specific Implementation Risks’ (SIRs). This new layer in FaHCSIA’s risk management framework focuses on risks to the implementation of critical policies, programs or projects, and any consequential risks these create for the agency’s business operations, reputation and budget.

SIRs are the top FaHCSIA initiatives in terms of complexity and sensitivity, and require individual risk assessments. The initiatives that are included as SIRs are determined by EMG and are subject to review on a quarterly basis.

The Risk Assessment and Audit Committee provide independent assurance and assistance to the Secretary and the EMG on the design and operation of FaHCSIA’s risk, control, and compliance framework, and on its external accountability responsibilities.

Under its charter, RAAC has the following responsibilities in respect of risk management:

• to satisfy itself that FaHCSIA’s risk management strategy is effective and that all key business risks are identified and the assessment of risks are appropriate;
• to monitor the implementation of the risk management framework;
• to satisfy itself that the internal audit plan addresses FaHCSIA’s risks and that any changes in risk are reflected in the internal audit work plan;
• to review whether a sound and effective approach has been followed in establishing FaHCSIA’s business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
• to review and monitor FaHCSIA’s fraud control plan and satisfy itself that FaHCSIA has appropriate processes and systems in place to capture and effectively investigate fraud related information.

All Groups in FaHCSIA develop and implement financial year business plans setting out, among other things, business objectives and the risks to achieving these. These plans also document how business areas contribute to the management of FaHCSIA’s overall risks.

Some strategic risks are more relevant than others to particular business areas and this varied emphasis is reflected in the business plans. For example, the strategic risk most relevant to the work of the Social Policy Group is the ‘Failure to establish the evidence base to support timely and responsive policy advice’.
Communication and training

FaHCSIA uses several methods and vehicles to communicate risk internally and to educate staff to identify and manage risk. One of the primary means is the use of the FaHCSIA intranet.

The risk management site on STAFFnet provides links to all documents and tools included in the Risk Management Framework. The site also includes links to the specialist risk areas, such as the sites for workplace safety and rehabilitation and service delivery/program risk management, project management, audit, business planning and Comcover insurance.

The Risk Management Team has access to the weekly electronic FaHCSIA newsletter, distributed to all staff by email, to publish risk articles and publicise risk management-related news, developments and issues. The weekly newsletter provides a platform for senior executives to promote risk management in FaHCSIA.

The Risk Management Team plays an active role in building risk management capability by providing personalised guidance and support on risk management practices and processes and acting as a facilitator in risk assessments and risk review exercises.

To support FaHCSIA’s risk management capability, the team also provides short training sessions for individuals, teams, sections or branches. Staff attending the training gain an increased awareness of the importance of risk management in FaHCSIA, knowledge of the support and resources available to staff when conducting a risk assessment, and an understanding of FaHCSIA’s six step approach to managing risks. Recently FaHCSIA introduced an e-learning program to provide an Introduction to Risk Management. This program takes participants through the steps for managing risks and provides advice for obtaining further information, training or support.

Assessing risks – audit and review

Risk management in FaHCSIA occurs as part of the internal audit program and informs the development of FaHCSIA’s Fraud Control Plan. The risk management and internal audit teams work closely together, exchanging risk assessments and audit information to help focus the work of both areas. For example, the Business Planning and Risk Management Section keeps the Audit Team informed of FaHCSIA’s changing risk profile, as reflected in the risk data gathered from across the department, and the Audit Team uses that information to help structure its audit work program and focus on areas of exposure.

Business Planning and Risk Management Section and the Audit Branch are currently working collaboratively in developing a strategy to further strengthen the agency’s risk management maturity. This will encompass strategies for strengthening FaHCSIA’s risk management application, experience, processes and culture.

The risk management framework integrates with a series of other risk-specific frameworks, including:

- a Program Risk Management Framework;
- a Business Continuity Management Framework;
- governance, information and support for managing insurable risks through Comcover;
- guidance on managing risks in the procurement life-cycle;
- guidance for hazard identification and risk management; and
- a risk-based approach to developing and implementing the audit work program;
These documents apply the standard FaHCSIA risk process and language, so that data from the resulting risk assessments are consistent and can be integrated into the department-wide risk analysis and reporting done by the Business Planning and Risk Management Section.

FaHCSIA undertakes reviews on the application and effectiveness of its enterprise-wide approach to risk management. These are in the form of staff surveys and internal audits. In November 2007, an audit on ‘the Application of Risk Management in Business Plans’ recommended the promotion of a risk management culture in FaHCSIA, including the development of practical ways to better integrate risk management into business planning processes.

In early 2010, a subsequent audit was conducted, focusing on the level of FaHCSIA’s risk management maturity. The audit assessed the effectiveness of current risk management processes and the integration of risk activities across FaHCSIA. It also examined controls specific to the risk management framework. The audit compared existing practices with better practice guides and standards used by FaHCSIA.

Risks and risk management are ever changing, as such, FaHCSIA is well aware of the continuous work required to make risk management systemic and truly embedded within their culture.
Department of Immigration and Citizenship

Highly Commended

Overview

The Department of Immigration and Citizenship (DIAC) has a key nation building role through the well managed entry and settlement of people. 8,000 staff work in DIAC and there are around 1,000 Australian-based and locally engaged employees employed overseas delivering the department’s services in 67 overseas posts.

DIAC’s business is often all about risk, be that visa fraud, irregular maritime arrivals, clients in detention or in compliance activities. The department works in partnership with many government, private and non-government agencies nationally and internationally. In 2010, the department marked its 65th anniversary. During that time, DIAC has helped build the nation through migration, with more than seven million settlers arriving since 1945.

DIAC’s enterprise-wide risk management program is an example of how an agency that has both policy and service delivery responsibilities can transform its management of risk to achieve its outcomes.

The risk management journey – transforming a large agency

In October 2009 the Secretary Andrew Metcalfe, set a challenge for DIAC to become “...the best immigration and citizenship agency in the world”; to enable it to be equipped to compete in global markets and to attract the best migrants and key skills required for Australia’s growth.

DIAC aligned this key strategy to its Strategic Plan for 2009-12 with the objective of enabling the Department to create a sustainable, long-term future that would see it become a globally integrated organisation. One of the key priorities within DIAC’s Strategic Plan was to build a stronger migration, visa and citizenship service that was targeted to support Australia’s migration programs and client needs. This transformation was about building on DIAC’s key strategic theme ‘people our business’.

Executive led risk management

A critical component to enable DIAC to identify and integrate risk management into its daily activities is the engagement and endorsement of its Senior Executive, led by the Secretary.

From July 2005, under the leadership of the Secretary, the emphasis on risk within the agency has shifted from being reactive, to developing processes that allows the department to take advantage of opportunities identified through its risk assessment process. These opportunities include improvements to its business processes, more informed decision making, and the allocation of resources to high-risk areas. The outcome from this change in emphasis enables risk, and the responsibility to manage risk, to become transparent to everyone, avoid duplication, and encourage greater oversight through the monitoring and reporting of risk across the agency.

This style of leadership has created a culture of accountability and responsibility for managing risk with the Senior Executives actively engaged in promoting risk management, which in turn, encourages staff to adopt a risk-based approach to the implementation of policy and programs.
DIAC's risk management framework (the Framework) is endorsed by its Executive and is a cornerstone of its strategic planning, decision-making and accountability. The Framework links with DIAC's strategic themes of:

- being an open and accountable organisation – using an evidence-based approach;
- having fair and reasonable dealings with clients – reflecting humanity; and
- having well-trained and supported staff – an indicator of high performance.

The Framework, including its supporting documentation, is a living document within DIAC requiring sustained effort and initiative on an ongoing basis to maintain relevance. The objectives of the Framework are to:

- develop a consistent understanding of risk management and provide the methodology and tools to enable effective management of risk across the department;
- foster an environment where all staff assume responsibility for managing risk and where management formally consider risk as part of the business planning process;
- ensure that significant risks facing the department have been identified, understood, documented and are being actively managed.

Risk management plans are fully visible across DIAC and integrated into individual Division's business plans, with key priorities directly linked to the key strategic risks of the agency. Any risks identified as being shared with other Divisions requires that a lead party is assigned to manage the specific risk. The outcome of this process ensures the responsibility to manage the risk is transparent to everyone. This avoids duplication of process, with monitoring and reporting of risk being made simpler.

**Implementation strategies, plans and processes**

To assist in facilitating a changing culture in the agency, responsibility to oversight the management of risk has been allocated to a specific division: Risk, Fraud and Integrity Division (RFID) within the Business Services Group. The RFID is responsible for detecting, measuring and recommending treatments to mitigate multiple dimensions of risk across the agency's operations. A key objective of RFID is to represent a single source of reporting on risk, fraud and integrity matters to the Executive and the Minister.

RFID consists of over 200 staff who provide a focus and pooling of resources to promote risk management. The First Assistant Secretary of RFID is known as the Departmental Chief Risk Officer, a ‘Risk Champions’ responsible for engaging the Senior Executive and assisting in the better management of risk across the agency. The Departmental Chief Risk Officer is “policy and program agnostic” and operates horizontally across the whole of DIAC on-and-offshore.

**Strategic Risk Framework**

The Strategic Risk Framework of the agency documents the highest-level risks of the department and is a tool for prioritising and managing risk at an organisational level.

All strategic risks are assigned to either the Secretary, or a Deputy Secretary as the lead accountable risk owner, with their agreement and support. Strategies for the management of identified risks are developed in consultation with the Secretary and Deputy Secretaries via a series of facilitated working meetings. The strategies to manage these strategic risks are subsequently endorsed and reviewed quarterly by the Executive Committee. Tactical risks sit below these strategic risks and are assigned to the most appropriate First Assistant Secretary, in consultation with them. They review and report on the management of these risks through the business planning process.
Training and Support

To support and assist staff with understanding risk management responsibilities and processes within the agency, a Risk Management Helpdesk has been established within RFID. This is part of the DIAC business transformation process which aims to have a suite of accessible cost-effective professional services able to be accessed in a range of ways by everyone across DIAC. The Helpdesk provides formal and ad-hoc advice to all areas within the agency. The Helpdesk:

- assists in identification of risks within programs and projects;
- delivers tailored risk and fraud training to individual areas; and
- provides general ad-hoc information about risk management.

To assist staff in developing their capability to manage risk, the Department has developed an integrated training program that provides individuals with the level of skill they require to undertake their role.

Risk management and fraud awareness is formally incorporated into all induction training with additional training provided at the executive level as well as preparing officers prior to an overseas posting. To assist in developing skills across the agency a range of e-learning courses have been developed that are mandatory for staff at all levels to complete on an annual basis.

A number of governance-themed learning courses such as Values and Conduct, Business Continuity and Quality Assurance have been also been developed by DIAC risk specialists. These courses link to the risk management e-Learning course as a pre-requisite ensuring risk definition, methodology, accountability and measures are being consistently used throughout the agency.

To support and complement the risk management training, a reference suite of risk management documents has been developed. These reference and training materials provide advice to staff on understanding DIAC’s risk management processes, completing the Risk Assessment Toolkit, and understanding their responsibilities for actively managing the risks that fall within their area of responsibility.

Review, evaluation and reporting

To ensure effective review and evaluation processes are undertaken, risks are currently reviewed in line with the business planning and reporting cycle and regular updates are provided to the Departmental Audit Committee (DAC). These updates include a review of the currency of existing risks and their residual ratings, notification of any risks that have been realised (indicating what new controls have been implemented to manage those risks), and identification of new risks and mitigation strategies.

Risk analysis and reporting is embedded in the internal reporting framework of the agency by having the DAC Chair report each quarter to the Executive Committee on the key risks and mitigation strategies relating to the issues being presented to the Committee. A rolling agenda of items focussing on strategic and operational risk issues is discussed and reviewed by the Committee.

Risk and Treatment Summary Report

In addition, RFID surfaces risks, via integrity scans and investigations, which may undermine the integrity of the department’s programs. Identified risks, proposed risk owners and risk treatment owners are compiled into a Risk and Treatment Summary report which is provided to the Executive Committee on a monthly basis.
Risk Tiering

To further strengthen the Department’s approach to managing the risks associated with developing a better migration, visa and citizenship service, strategies are currently being developed to enhance the management and integrity of these processes. It is anticipated that these strategies will lead to further simplification of internal processes and improved delivery of services within existing resources.

As part of this, DIAC will devise new, evidence-based, automated, technical methods to predict the relative risk levels of visa applicants, based on historical records. This will enable each visa application to be investigated with a level of rigour commensurate with the perceived level of risk involved thereby streamlining the visa application process.

In short, DIAC is endeavouring to manage risk closer to the front-end of the travellers pathway which is more cost-effective and offers much greater risk treatment than waiting until people reach the border or indeed, cross it.
Case Study – Murray-Darling Basin Authority

Highly Commended

Overview

The Murray-Darling Basin Authority’s (MDBA) approach to implementing its enterprise-wide risk management framework demonstrates the importance of integration with agency governance frameworks.

The agency commenced operation on 8 September 2008 and incorporated the functions of the former Murray-Darling Basin Commission on 15 December 2008. It is responsible for the management and coordination of the operations of the Murray-Darling Basin river systems, oversight of a range of environmental programs within the Basin and development of the first plan for the sustainable management of the Murray-Darling Basin.

Following its establishment, the MDBA recognised that it needed to identify, develop and implement a risk framework that was integrated with its governance model and would assist the agency in achieving its strategic objectives. The MDBA needed a robust risk management framework to address key risks such as reputation, stakeholder management, financial and program risks associated with the Government’s commitment to ensuring the sustainable management of the Murray-Darling Basin.

The risk management journey – transforming a small agency

The MDBA’s Risk Management Framework (RMF) comprises of its risk management policy, as set out in a Chief Executive Instruction which is supported by its risk management plan as well as detailed risk management and occupational health and safety guidelines.

To ensure that all staff have a good understanding of the agency’s risk framework, the MDBA developed a high-level overview of its approach to managing risk. This approach is supported by more detailed information which outlines the accountability structure for managing risk, and guidance on the agency’s risk tolerance and risk appetite. The MDBA also provides its staff with information on the support and expertise available to assist with the management of risks.

The risk management policy describes how the effective management of risk and the achievement of organisational objectives is linked. This link between business outcomes and the management of risk commits the MDBA to undertake regular reviews of its risk framework to ensure it continues to remain effective; especially in the context of the Murray-Darling Basin Plan roll-out.

Integrating risk management

The MDBA recognised that it needed to ensure that the management of risk was integrated into its strategic and corporate processes including business planning, budgeting and financial frameworks as well as its performance reporting. The collection and analysis of risk data is used to assist with determining accountability, operational decision making and the allocation of resources.
Implementation strategies, plans and processes

Managing the budget

There is a high level of awareness associated with the cost of managing the agency’s risk. The MDBA’s risk management policy describes the key resources it applies to the management of risk across the agency. MDBA has a dedicated risk management function which also carries out other governance functions, including audit management and OHS Coordination. The MDBA has employed specialist consultants to assist it with business continuity management, IT information, security, legal, procurement/contract, business, financial, regulatory compliance, Project Management Framework and industrial relations/human resources, with each of these being costed and considered as part of the annual budget planning process.

MDBA’s budget is developed in the context of the need to allocate an appropriate level of resources to optimally manage risk at both the operational and strategic level. The budget is monitored and reviewed to ensure risks are managed and appropriate levels of financial resources are applied to areas of greatest need.

Managing resources

The risk management function is responsible for assisting the senior executive and staff to identify and evaluate risk. This ensures a consistent and structured approach is applied across the agency while also ensuring risk management resources can be quickly reallocated to meet changes in operational demands.

The provision of information on the management of risk is formally structured via processes for collecting, collating, analysing and presenting risk management information to all its risk committees (Audit Committee, OHS Committee and Project Management Framework Committee in particular).

Due to the nature of the MDBA’s functions, it shares risks with third parties where appropriate and captures this in contracts or Memorandum of Understanding agreements. The MDBA applies a formal risk allocation process and seeks legal advice when negotiating major or complex contracts.
Risk Culture

Since its inception in late 2008, the MDBA has devoted considerable efforts to embedding a risk management culture across the agency. This includes incorporating risk management into everyday decision making.

The MDBA’s executive determine the agency’s appetite for risk and sign-off on the annual enterprise risk assessment and risk management plans. The Audit Committee monitors the implementation of enterprise-wide risk treatments and reviews the agency’s risk profile on a quarterly basis. Managers and supervisors monitor risks and risk profiles in their areas of responsibility and ensure staff are adopting the MDBA risk management framework as intended.

The high level of awareness of risk management policies and processes has been achieved through:

- development of risk, fraud control and business continuity and related policies/procedures and guidelines;
- publication of these documents on the intranet;
- development of risk management and fraud control plans in consultation with staff and middle and senior managers;
- extensive training and provision of advice on risk management;
- inclusion of governance and risk management in induction processes; and
- incorporation of risk management in a number of operational procedures e.g. project management, procurement and contracts, certain financial approvals and OHS management.

Accountability for risk management is allocated across the agency by:

- ensuring all staff have responsibility for the management of risks in their control;
- the central risk management function being recognised as the provider of assistance and advice to staff in managing risks in their control;
- staff recognising where the control framework for managing specific risks is not appropriate and informing others who have the ability to influence a change;
- staff taking ownership of the outcomes for managing those risks for which they are responsible;
- staff understanding the management of risk as critical to achievement of the MDBA’s objectives.

The MDBA’s Authority Board and its Executive recognise the importance of managing risk and support risk management activities in achieving the MDBA’s vision and purpose through their words and actions.
Training Strategy

Knowledge of risk assessment and management is a compulsory capability for MDBA staff of all classifications under the MDBA’s Performance Management Development System. Governance and risk management feature as a core function on work level descriptors for all MDBA positions.

Staff training needs are reviewed each year in the context of implementing the Strategic Workforce Plan. In the review of learning and development this year an identified cluster of training around governance and risk management was identified in staff focus groups as a priority area of learning and development.

MDBA takes active steps to ensure all staff are aware of the agency’s risk management policies, processes and guidelines. Advice and training has been provided to members of the Authority, the Executive, the Audit Committee and the Business Managers Group in relation to their legal and fiduciary responsibilities for risk governance and oversight.

There is a broad range of information available to staff on the agency’s intranet regarding all aspects of risk management. The most important messages to staff regarding risk management emanate from the Chief Executive. Excellence in risk management is recognised as a positive contributor to the agency’s reputation and is incentivised through communication and messaging shared with staff. Feedback can easily be provided through the Chief Executive’s ‘rumour mill’ blog on the intranet.

Risk profiling and reporting

The MDBA has an agency-wide definition of risk that is supported by the risk management guidelines, which contains a risk dictionary that can be used across all risk categories.

The MDBA has created a list of all material risks likely to affect its ability to achieve its objectives and has assigned responsibility to individuals best placed to manage these risks. Significant changes in risk profiles are presented and discussed at Executive level.

Risk management reports are provided quarterly to the Audit Committee on the treatment of organisational risks including the effectiveness of controls and any changes in a specific risk’s profile. Quarterly reporting is also undertaken across the agency where project and program risks are reported to the executive and Occupational Health and Safety risks to the OHS Committee.
Private Health Insurance Administration Council

Overview

The Private Health Insurance Administration Council (PHIAC) regulates the private health insurance industry in Australia and was established as a body corporate in 1989. PHIAC is funded through a levy imposed on private health insurers and aims to find an appropriate balance between:

- fostering an efficient and competitive health insurance industry;
- protecting the interests of consumers; and
- ensuring the prudential safety of individual private health insurers.

The risk management journey – transforming a small agency

PHIAC has established an enterprise-wide risk management framework that is based on the COSO Enterprise Risk Management Integrated Framework (better practice) which has been tailored for PHIAC’s regulatory function and business environment.

The framework establishes categories of enterprise-level objectives which are supported by risk management and delivered by the capability of the internal control environment of the organisation – see diagram below. The enterprise-level objectives are based on PHIAC’s role and function in regulating the private health insurance industry.

Risk Management

The Risk Management Framework sits within the Enterprise-wide Framework and is a catalyst to ensure that effective controls are in place to achieve strategic, industry and corporate objectives, and maintain effective and efficient internal control. The framework establishes the following elements of effective risk management:

- Risk Policy
- Risk Governance
- Risk Assessment
- Risk Reporting
Risk Policy

PHIAC developed a Risk Management Policy (RMP) that outlines the purpose, scope and objectives of risk management in the agency and defines the risk management methodology as well as processes for escalation and reporting requirements.

A feature of the policy, and one that is embedded into its framework, is clear guidelines for risk tolerance within the agency and the establishment of accountability and responsibility for enterprise-level risks to identified individuals.

Supporting the policy became part of PHIAC’s culture as staff assisted in the design of risk controls across the range of enterprise-level risks. This process has resulted in the ownership of risks and controls throughout the agency.

The RMP establishes the mechanism for determining levels of risk tolerance across the agency. The approach established in the policy sets a minimum, acceptable risk level for all risks faced by PHIAC, regardless of the context in which they exist.

Through the tailoring of consequence and likelihood criteria as part of the risk assessment process, risk levels remain firmly linked to the objective against which they are identified and assessed. If risk levels are assessed outside tolerance levels (as defined in the RMP), action must be taken and the next level of management must be involved in reducing those levels.

Risk Governance

PHIAC integrates the management of risk through its governance framework and management systems. Risk management underpins effective governance by informing the development of corporate, team and individual work objectives, and providing a framework for risk management reporting to the Executive Management Committee (EMC), Audit and Compliance Committee (A&CC) and the Board.
The Board has ultimate responsibility for ensuring all major business risks are identified and effectively managed.

PHIAC also maintains a business assurance framework to demonstrate its overall approach to identifying, assessing, reporting and directing the management of high level risks and key controlling activities throughout the agency.

The business assurance framework brings together the following functions to provide assurance on the effectiveness and efficiency of PHIAC’s operations:

- PHIAC Management
- PHIAC Risk Universe
- Internal Audit
- Audit and Compliance Committee

**Risk Assessment**

PHIAC has engaged a senior risk management specialist, the Director of Risk Management, as a permanent member of staff to support the implementation of risk management throughout the organisation. This role supports all aspects of risk management including:

- assisting staff with risk assessments;
- conducting risk workshops; and
- selecting and tailoring risk management approaches to organisational requirements.

PHIAC supports its employees to manage risk with the development of a risk management guide. The guide assists PHIAC employees to comply with its RMP and by following the procedures and processes set out in the guidance material, PHIAC employees are able to identify, control and report on risks to objectives that are part of their corporate responsibilities.

**Risk Reporting**

Reporting against enterprise-level risks and the relevant controls is integrated into PHIAC’s regular reporting regime and is done once a month. Such reporting:

- demonstrates business control;
- enables the structured escalation of issues;
- informs decision making;
- assists with resource allocation; and
- underpins governance.

These individual reports are collated into a monthly enterprise-wide risk report for consideration by PHIAC’s EMC which is then considered by the A&CC and the Board.

The monthly enterprise-wide risk report discusses key risks and provides the following information about each enterprise level risk:

- current risk level;
- trend of the risk level;
- status of the control framework; and
- comments, issues or concerns.

PHIAC’s further integrates risk reporting by linking identified risks and controls to the work objectives of staff. This approach results in an appropriate level of focus for risks and controls, and ensures they are incorporated into the planning and performance management processes.
Internal Control

PHIAC has selected the COCO* internal control framework to assist with its approach to maintaining an efficient and effective internal control environment. The framework recognises four interrelated elements of internal control, being purpose, capability, commitment, and monitoring and learning. PHIAC uses the risk assessment technique known as Control Self Assessment to assess the performance of these elements and to develop improvement plans. Using this technique, PHIAC accesses the views and perceptions of staff who have the most influence over these risks.

* Canadian Institute of Chartered Accountants – Guidance on Control

Crisis Management

A crisis event is any event that causes disruption to the operations of PHIAC’s business functions.

In PHIAC, crisis management incorporates:
- Emergency Response
- Business Continuity
- Disaster Recovery

PHIAC has developed a Crisis Management Framework which provides the foundation for the development of structures and plans (incorporating strategies and actions) to support all aspects of crisis management in PHIAC.

PHIAC has developed a range of procedures, plans, contingencies and tools to support its ability to respond to an emergency event, maintain its operations following an emergency event and recover its capability to restore its business as usual operations.
Department of Agriculture, Fisheries and Forestry

Honourable Mention

Overview

The Department of Agriculture, Fisheries and Forestry's (DAFF) enterprise-wide risk management framework is an excellent example of how leadership by the Secretary and the Executive sends a strong message about the importance of risk management. When the Senior Executive champions risk management in their agency, it ensures that the effective management of risk is embedded into the agency’s culture.

Risk management forms part of all decision making in DAFF. The risk management policy statement requires that links are made between outcomes and outputs, and business planning; while the enterprise-wide framework clearly outlines the responsibilities and accountabilities for risk at various levels of management, with performance linked to risk management accountability.

Risk management processes are also part of DAFF’s business planning, project management, performance reporting, emergency management and procurement processes. DAFF has incorporated risk management into the Chief Executive’s Instructions (CEIs), making risk management everyone’s responsibility.

DAFF has developed an integrated risk management framework that encompasses risk priorities and risk appetite, and is regularly reviewed to ensure it meets the agency’s changing business requirements.

The risk management journey – transforming a large agency

Australia’s agriculture, food and fibre industries operate in a dynamic and complex environment. DAFF has the key role in developing and implementing policies and programs that ensure Australia’s agricultural, food and fibre industries remain competitive, profitable and sustainable.

DAFF’s revised enterprise-wide risk management framework is designed to:

• Ensure the continuous monitoring and review of DAFF’s changing risk context and profile;
• Enable the appropriate and timely involvement of stakeholders and decision makers at all levels of the organisation in managing risk;
• Promote the timely identification of opportunities that enable the development of policies and programs that use resources efficiently and effectively; and
• Provide staff and stakeholders with information about the mechanisms that integrate risk management into DAFF’s governance and business processes.

Governance arrangements are in place to allocate responsibility for business functions, as well as define the control and reporting mechanisms. DAFF’s governance framework enables the management of risk to be integrated into all key business functions, processes, systems, programs and projects. These arrangements enable the Secretary, in consultation with the Executive Management Team (EMT), to determine, communicate and review DAFF’s risk appetite in response to its dynamic operating environment.
Accountability

Accountability for managing risk is clearly articulated in the specific roles and responsibilities of the Secretary, the EMT, Executive Managers, Executive Directors, the general responsibilities of all staff, and in the charters of the Audit Committee, the Risk Management Audit Subcommittee and the Business Improvement Committee.

The key accountabilities for risk in DAFF are as follows:

- The Secretary has the ultimate accountability and overall responsibility for the Department’s performance, including the accountability for management of risk and the delivery of DAFF’s outcomes and priorities to Government.

- The EMT supports the Secretary by developing the strategic risk profile, reviewing divisional business risks, reviewing and assessing risk treatments for significant and critical risk areas, reviewing and monitoring DAFF’s risk profile and ensuring that the risk management framework is implemented across DAFF.

- Executive Managers and Executive Directors are responsible for identifying, documenting, prioritising and monitoring risks in their divisions. Executives ensure the implementation of the risk management 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.

- The Audit Committee oversees the risk management framework, reviews risk treatments and monitors the implementation of the risk management plan. It also provides independent advice to the Secretary that DAFF has in place a comprehensive risk management strategy and that the internal audit plan adequately covers the Department’s key risks and controls.

- The Business Improvement Committee provides strategic advice to the Secretary on matters including risk management.

The CEI sets out the expectation that all staff should recognise, communicate and respond to expected, emerging or changing risks; and contribute to the development and implementation of risk treatments in their area of responsibility.
Implementation strategies, plans and processes

DAFF has integrated risk management vertically and horizontally into the governance, planning and performance management processes of the Department.

DAFF’s Secretary and Executive have championed risk-supported decision making, and this is becoming the basis for some of the agency’s bio-security activities. Risk assessments are also used to underpin important decisions, including some that cross agency boundaries.

DAFF’s integration of enterprise risk management can be seen in its employment of a top-down and bottom-up approach to identifying and managing risk, as illustrated in the diagram below.

DAFF intends to provide its risk management framework electronically across the agency, to allow staff to be automatically taken to the risk management plan while they are completing their business plans.

Risk culture, resourcing

Risk culture

DAFF’s Secretary and Executive drive a positive risk culture and champion risk initiatives and processes. As risk influences the outcome of all work in DAFF, this enables all staff to understand, accept and manage risks as part of everyday decision making has been a priority.

There are three main drivers of DAFF’s risk culture:

- Risk understanding and capability, where risk management is driven through the Department’s governance framework supported by clearly articulated accountabilities and the internal risk structure and reporting frameworks;
- Continuous risk management learning; and
- Driving applied risk management behavior – the development of a positive risk culture is an on-going priority for DAFF and is behaviorally driven.

The Secretary, Senior Executives and all executive managers are expected to promote and implement DAFF’s risk management policy, with the risk communication strategies ensuring that the benefits of risk management are well communicated.
Resourcing

There is top down commitment from the Secretary and the Executive to providing the necessary financial, technical and human resources to manage risk effectively and efficiently. DAFF recognises that the allocation of resources is essential to support the ongoing development of systems and processes to identify, analyse and treat a range of risks across the Department.

DAFF’s Audit and Evaluation Branch has responsibility for coordinating risk management across the Department. It funds the dedicated Risk Management Team (RMT) to coordinate and provide risk management advice and support across the agency. The Biosecurity Services Group has also formed a Risk Branch to drive the biosecurity reform process and various specialist areas (OH&S, security and fraud, business continuity) within the Department are funded for their risk management activities.

Assessing risks

DAFF integrates its annual strategic and operational risk assessment into its business planning processes, thereby ensuring that the management of risk is monitored through the performance management framework. This process examines a range of risks and the effectiveness of their controls, both within and across divisions and functions.

DAFF’s risk assessment process

The risk assessment process enables DAFF to:
- Establish the internal, external and risk management contexts;
- Identify risks inherent in each division’s strategic and operational contexts;
- Identify treatments and strategies needed for successful business plan implementation;
- Recognise opportunities and balance these against all the risks involved;
- Ensure funding is allocated to address highest priority risks, and that limited resources are allocated to the areas of greatest need;
- Respond quickly to external pressures;
- Communicate and consult with stakeholders; and
- Provide regular opportunities for the Secretary, the EMT and other governance committees to review DAFF’s risk profile.

The agency has developed a risk assessment tool that enables staff to identify, assess, treat and manage risks. The risk assessment tool uses formulas and automatic pre-population of data, to make it easier for staff to assess and treat risks.
Risk profiling and reporting

DAFF’s robust and comprehensive risk profiling and reporting framework is a key input into its business planning and performance management activities. DAFF’s strategic and key business risks are subject to regular review, with assessment of risk occurring as part of the annual business planning and reporting cycle. Reporting on the status of actively managed risks is a component of the six-monthly Divisional Performance Reviews to the EMT.

Risk management reports are designed to support better business management and outcomes. DAFF is achieving its risk reporting objectives by implementing an integrated risk, planning and performance management framework. In addition to measuring the agency’s progress towards the achievement of its objectives, DAFF’s risk reporting reflects the effectiveness of its risk treatment strategies and risk management framework, program and systems. The risk assessment tool enables the agency to easily report on risk and its risk profiles.

Business Continuity

DAFF has an integrated business continuity framework. The main elements of its framework are:

- Departmental business continuity plan;
- Subsidiary divisional and regional business continuity plans to ensure the continuity of identified critical functions;
- Critical incident response plan;
- Incident management job cards, procedures and templates;
- Pandemic contingency plan, including a people management strategy;
- Facilities contingency plan; and
- I.T. service continuity plan.

The agency has undertaken a risk-based Business Impact Analysis to identify its critical functions, dependencies, workarounds and the maximum acceptable outage times. All divisional executive managers and key divisional staff were involved in this process. The outcomes of the Business Impact Analysis were endorsed by the Secretary and the Executive Management Team in November 2009.

The Department has divisional business continuity coordinators to coordinate and champion business continuity in their areas, and training and support is undertaken regularly to ensure that key business continuity staff are able to undertake their responsibilities.

DAFF regularly exercises its business continuity framework, with a series of paper-based and discussion-based exercise scenarios. These culminate in an annual live exercise that is held late in the year. Exercise scenarios are based on potential risk events and an exercise planning team comprising representatives from affected divisions are formed to plan, organise and evaluate the exercise. All live exercises are also externally evaluated, with lessons learnt used in the annual review and update of the business continuity framework.
RISK INITIATIVE CATEGORY

Winner: Department of Agriculture, Fisheries and Forestry – Sea-cargo Containers

Highly Commended: Australian Taxation Office

Highly Commended: Defence Materiel Organisation
Biosecurity Services Group

Sea Cargo Risk Management Policy

Winner

Overview

Over the past 40 years, sea cargo containers have become the main method of importing cargo by volume around the world. Imported containers may arrive in Australia contaminated with soil, animal or plant debris or ‘hitchhiking’ pests, which can potentially create a pathway into Australia for exotic pests and diseases.

Recognising the impact that an undetected carrier of disease may have on the Australian agriculture industry continually drives the Biosecurity Services Group (BSG) of the Department of Agriculture Fisheries and Forestry to consider better ways of detecting and managing this risk. Following the 2001 outbreak of foot-and-mouth disease in the United Kingdom, Australian bio-security staff (operating under the Australian Quarantine & Inspection Service or AQIS) inspected the outside of every sea container arriving in Australia (approximately 2 million per annum). Due to increased education and awareness of industry, data collected since 2001 confirms that almost all containers arriving in Australia now comply with Australia’s bio-security requirements on container decontamination thereby minimising the risk of damage to the agriculture industries of Australia.

The independent review of Australia’s Quarantine and Bio-security Arrangements (the Beale Review) published in 2008, recommended a move away from the mandatory inspection policy and as result the Sea Cargo Risk Management Policy was developed to oversee the necessary changes to policy and project implementation.

The Sea Cargo Risk Management Policy is the most recent and significant reform of risk-based bio-security solutions for imported goods to Australia.

Rather than checking every sea container, Australia is now able to target containers arriving via higher and emerging risk pathways. Good compliance is now rewarded and unnecessary regulatory barriers are eliminated, freeing up resources to focus on serious and emerging bio-security risks.

This Department’s approach demonstrates how risk management can be used as a tool to drive a change to existing processes by making use of available data, streamlining workflows and enhancing communication with stakeholder groups so as to achieve an outcome that will benefit Australian industry.
About the Biosecurity Services Group

The BSG is part of the Department of Agriculture, Fisheries & Forestry. The Group collaborates with Australian industry, governments and the community to optimise the health and sustainability of Australia’s agricultural sectors, the environment and its people. The BSG manages risks from unwanted pests and diseases, and provides assurances that Australian exports meet international market standards.

Risk Assessment

The Sea Cargo Risk Management Policy was developed following the collection and analysis of data on the actual risks posed by sea-cargo containers, extensive policy debate and an extensive program of stakeholder negotiation, which included other government agencies and industry bodies.

The policy aims to minimise the risk of exotic diseases and pests entering Australia via the use of sea-cargo containers when importing goods. The policy:

• acknowledges the contributions of industry partnerships and offshore arrangements;
• employs a range of targeted intervention measures;
• supports the allocation of resources based on risk; and
• ensures policy objectives are monitored through application of ongoing performance measures.

In its development processes, the BSG set clear objectives; identified and documented existing governance arrangements; identified and evaluated risks, and prepared an Implementation Plan and Communication Strategy to engage with key stakeholders.

A working group of subject matter experts was convened from across the Department and included academics and industry clients.

This working group reviewed, researched and developed new strategies to manage the bio-security risks related to the importation of sea cargo containers.

Recognising that moving away from mandated inspection levels represented a significant change for the Department, the working group used the process described in AS/NZS ISO 31000:2009, to draw on the expertise of individuals to confidently appraise the current level of risk posed by the transport of particular containers through specific pathways. This enabled decisions to be made not only on the bio-security risks but also on the business risks associated with a change to a long established existing policy.

Data collection and analysis

In developing the Sea Cargo Risk Management Policy, the Department partnered with ACERA to review and consider previous research undertaken that provided a summary of cargo importation processes as well as an analysis of historical data to identify higher-risk pathways. Together, ACERA and the Department were able to propose different monitoring regimes and evaluate the potential impact of the policy. This risk modelling tool was then able to predicted the type of intervention needed to manage containers that moved through high-risk pathways, as well as address any residual quarantine risk.
Implementation strategies, plans and processes

While the Sea Cargo Risk Management Policy is an integrated suite of risk-based, operational management strategies for the external inspection of sea containers, it is being implemented in phases to:

- introduce stakeholders to the new container inspection arrangements in an incremental manner;
- enable stakeholders to amend practices and embrace new responsibilities; and
- enable ongoing operational effectiveness throughout the transition period.

Phase One

Implemented nationally on 1 July 2010, BSG employed a targeted approach to external inspection and surveillance of sea containers, as follows:

a) On-wharf inspections;
   - continued, external inspection of all containers arriving from a country or pathway on the AQIS Country Action List
   - targeted external inspection of other containers based on pathway analysis

b) Continued external inspection of all containers moving to a rural destination;

c) Continued external inspection of all containers transiting and moving through rural areas (by rail and road); and

d) Surveillance of empty containers at empty container parks, including targeted inspection of containers leaving the wharf (stack run-outs) and being delivered to empty container parks.

Phase Two

Phase Two will be implemented over 12 to 18 months. It will continue some existing intervention measures and utilise offshore arrangements, expanded industry partnership schemes and further targeting of risk by pathway, including:

a) On-wharf inspections:
   - continued external inspection of all containers arriving from identified high risk pathways on an expanded AQIS Country Action List
   - surveillance regime in line with the establishment of offshore sea-cargo container hygiene schemes and/or seasonal pest threats (e.g. Asian Gypsy Moth, Burnt Pine Longicorn beetle); and
   - targeted verification and on-wharf inspections based on risk determination.

b) Rationalised intervention for containers moving through or to a rural destination including:
   - identification and management of all containers from the port of arrival to the port of discharge by rail and road; and
   - surveillance and third party industry arrangements for lower risk external inspections, including a revised approach based on the analysis of available data.

c) Development and implementation of the AQIS rural container inspection policy through:
   - managing the move away from policy and operational inspection schemes being determined by out of date Australian post code classifications to the pathway risk analyses model, and
   - introducing incentives for importers with large throughputs to rural destinations who can demonstrate a history of compliance with AQIS container cleanliness requirements

d) Increased surveillance inspections and intervention of empty containers at container parks including targeted inspection of containers leaving the wharf to container parks.

e) Expansion, adaptation and implementation of a national sea cargo and seaport surveillance inspection policy including targeted vector and pest monitoring and an enhanced post-border surveillance program at and around ports.
Communication Strategy

Sea ports are complex environments which support large volumes of trade and involve diverse stakeholders operating subject to considerable economic, logistic and accountability demands. Communication becomes even more critical where implementation of new initiatives is likely to impact complex supply chains.

To support successful implementation of the Sea Cargo Risk Management Policy, a targeted Communication Strategy was prepared. The objectives of this strategy were to provide timely and accurate information to all stakeholders, and to promote their involvement in implementation of the policy.

Stakeholders were broadly grouped into primary audiences who have influence or who could be affected by the implementation of the policy as well as groups or individuals who shared an interest in bio-security management. Key messages were prepared in advance and while remaining consistent, were tailored for individual audiences and modes of delivery.

Communication material was prepared for the Minister, Departmental executive, staff and other stakeholders including container logistic-chain participants (ports, terminals, logistics service providers, shipping lines, brokers/forwarders and rural interests). Communication tools/activities were delivered in the lead up to and upon commencement, and included:

- Internal minutes/briefs;
- Industry Notices (posted on the DAFF website);
- Staff Notices (posted on intranet/share point sites);
- Frequently Asked Questions;
- Papers/presentations at Industry forums (e.g. AQIS/Industry Cargo Consultative Committee meetings);
- Print media e.g. flyers and posters;
- Articles in industry publications;
- Face to face meetings; and
- Phone lines for 24/7 feedback/inquiries.

By following an agreed communications strategy, lines of communication both inside and outside the organisation were effectively maintained.

Communication plans were amended as trials progressed. For example, more detailed briefings were prepared for front-line staff who were most affected by changes to inspection rosters as a result of implementation. Similarly, more detailed and targeted information was developed for environmental journalists and (with assistance from front-line staff) to truck drivers and other transport workers.
Reviewing risks

Reviewing risks is an integral part of the risk management process as existing risks can change, new risks may emerge, and the key objectives of an organisation may alter. A process to monitor and review risk management strategies was been built into the policy's implementation plan to ensure its continued relevance and appropriateness for managing bio-security risks.

The performance of the policy is measured through several key areas:

1. Inspection records and the AQIS Integrated Management System (AIMS). An AIMS entry is an electronic record of a consignment that is automatically referred from the Integrated Cargo System, operated by the Australian Customs and Border Protection Service. Analysis of AIMS data can reveal changes in cargo trends, including increases and decreases in volumes; the level of intervention applied to different entries; and the proportion of entries directed for further action.

On-going data collection from both high and low-risk inspectorate activities allows BSG to continually monitor emerging risks and other issues on sea cargo pathways. Data and information on all aspects of inspection activity is now being collated and analysed monthly through a Container National Coordination Centre.

2. Import Clearance Effectiveness Program (ICE). Monitoring data from the ICE program is used to measure the performance of BSG intervention measures. Bio-security officers randomly inspect containers and report any concerns with container cleanliness. This provides BSG with the ability to closely monitor the rate of pests and contaminants arriving in Australia and provides early warning of emerging risks.

3. Leakage surveys. Leakage is considered to be the (estimated) amount of undetected bio-security risk material moving through an intervention process. Inspection effectiveness and potential ‘leakage’ rates are monitored through data collected by Bio-security officers when inspecting the inside of containers.

Under existing policy, internal inspections are still mandatory for all containers destined for rural locations. The BSG can estimate the effectiveness of the targeted external inspection process by recording any contamination of containers that have already been inspected.

Monitoring inspection effectiveness enables BSG to ensure consistency of inspection measures nationally and to more effectively allocate inspection resources where and when needed more effectively.

Evidence that strategies and processes were successful

The short to medium term benefits that arise from implementation of the Sea Cargo Risk Management Policy are:

1. An intelligence-based approach to managing bio-security risk;
   - more efficient and effective delivery of bio-security outcomes
   - increased capacity by government to respond to higher bio-security risks in container traffic

2. Risk targeted allocation of BSG resources;
   - more efficient and effective use of resources

3. Enhanced bio-security regulation that will not impede trade while focussing on targeted intervention;
   - cost savings for industry through improved risk management processes provides greater encouragement for industry to share the bio-security responsibility; this includes providing increased incentives for industry and offshore entities when they comply with container cleanliness requirements.
The long term benefits that arise from implementation of the Sea Cargo Risk Management Policy are:

1. Improved enterprise-wide awareness of operational risk strategies and their importance as a key response to recommendations made by the 2008 Beale Review.

2. The Policy provides genuine incentive for industry to adopt a quality bio-security approach through reduced intervention of compliant, lower risk pathways.

3. The policy will provide a foundation for other risk based initiatives in bio-security in the area of co-regulation. Primarily this will help to enable a shift from transaction-based regulation to system-based regulation for compliant clients.
Overview

The Australian Taxation Office’s Large Business and International (LB&I) line is responsible for gathering information and managing the non-compliance risks associated with large business taxpayers.

In order to better manage its business clients and the risks they pose to the overall operation of the Australian taxation system, LB&I developed a ‘Risk Differentiation Framework’.

The framework was designed to provide an overarching guide for engaging with business taxpayers according to their likelihood for non-compliance and the consequences of that non-compliance. Based on the multiple factors identified in the framework, the ATO developed a more consistent approach to managing a ‘large business’ taxpayer’s relative risk of non-compliance.

The data that emerged from implementing the framework also allowed LB&I to better understand its stakeholders and to more effectively communicate the approach it was taking to determine individual taxpayer’s non-compliance risk.

The risk management journey

The LB&I’s Risk Differentiation Framework was developed following research into best practice approaches in Australia (eg APRA) and elsewhere (eg the Hampton Review). The framework uses both qualitative and quantitative intelligence to classify business taxpayers as higher, key, medium or lower risk.

Using the filters incorporated into the framework, the ATO can better manage and integrate its client’s taxation risk profiles. This has allowed the ATO to be more open and transparent in its operations, enabling better communication with stakeholders, especially in relation to how the ATO perceives the relative level of tax risk they pose.

Use of the framework changed the way LB&I manages its business clients and has enabled the agency to adopt a more focused approach to identify and deal with non-compliance. The framework classifies about 72% of business taxpayers as lower risk, 18% as medium risk, 8% as key taxpayers and about 2% as higher risk taxpayers.

Based on this LB&I then differentiates its ‘engagement so that lower and medium risk taxpayers are dealt with in a more leveraged manner (one to many) while key and higher risk taxpayers are engage on a one-to-one basis..
### The Risk Differentiation Framework

For each of the compliance concerns identified in the Framework, the LB&I appoints a risk owner and manager who are responsible for the overall end-to-end management of the risk.

This ensures that the ATO has appropriate strategies in place to deal with the compliance issues encountered. The aim is to allow the ATO to be flexible in its response to a taxpayer’s relative level of risk by either providing a service to the lower-risk clients, or by contesting and enforcing the taxation laws for those businesses that do not voluntarily participate in the tax and superannuation systems.

The ATO has also linked the new Framework with its Health of the Tax System Assessment, which is reviewed on an annual basis to determine the efficiency and effectiveness of its processes, its opportunities and tax system vulnerabilities.

#### Implementation strategies and cultural change

LB&I undertook a pilot of its framework in 2008-09. Applying the new Framework in shadow mode, allowed practical implementation problems to be surfaced, without causing disruptions to that year’s risk management processes.

One of the implementation issues identified by the ATO was the need to change its culture from a process-based ‘one size fits all’ to a culture where staff consciously differentiated taxpayers by their risks, and to recognise that prevention and deterrence approaches were important tools as well as traditional enforcement strategies.

Changing culture was considered a major challenge on the basis that the ATO’s established processes, structures and its management reporting systems were more aligned to enforcement-based approaches.

It was recognised that this method of risk management had created organisational inertia which needed to be overcome before the framework would succeed. With the support of senior executives, a series of implementation planning sessions were held and accountabilities for managing the framework’s rollout were assigned to senior members.

Ensuring that those accountabilities were clear and that the organisational change processes were integrated into existing corporate frameworks, such as the Enterprise Risk Management Framework and aligned to the Compliance Model, facilitated a smoother transition from the old approach to the Risk Differentiation Framework.

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**Table:**

<table>
<thead>
<tr>
<th>Consequence of non compliance</th>
<th>Likelihood of non compliance</th>
<th>Higher Risk Taxpayers</th>
<th>Lower Risk Taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher</td>
<td>“Deter in real time”</td>
<td>Continuous monitoring of the relatively few really large clients most aggressive in their tax planning. The aim is to transform the relationship so that they comply voluntarily.</td>
<td></td>
</tr>
<tr>
<td>Lower</td>
<td>“Monitor &amp; maintain”</td>
<td>Continuous monitoring of the very largest clients excluding those considered most aggressive — who are in Quadrant 1.</td>
<td></td>
</tr>
<tr>
<td>&quot;Deal with&quot;</td>
<td>&quot;Monitor periodically&quot;</td>
<td>Periodic monitoring by Risk Rating Engine on biannual basis of rest of patch... the majority of clients are here.</td>
<td></td>
</tr>
<tr>
<td>(Compliant)</td>
<td>(Non-Compliant)</td>
<td>Risk Engine reports, Visits, Governance checks, Targeted education activities, Internet Portal</td>
<td></td>
</tr>
</tbody>
</table>

* Alternate Dispute Resolution

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**Diagram:**

- **Key Taxpayers:** Continuous monitoring of the very largest clients excluding those considered most aggressive — who are in Quadrant 1.
- **Higher Risk Taxpayers:** Continuous reviewing of the relatively few really large clients most aggressive in their tax planning. The aim is to transform the relationship so that they comply voluntarily.
- **Lower Risk Taxpayers:** Periodic monitoring by Risk Rating Engine on biannual basis of rest of patch... the majority of clients are here.
- **Medium Risk Taxpayers:** Periodic reviewing of those clients with certain large transactions, or declining trend in effective tax performance.

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**Notes:**

1. Risk Initiative Category – Highly Commended – Australian Taxation Office

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**Comcover Insurance and Risk Management Conference March 2011**
Communication strategy and training

The ATO conducted its pilot program in 2008/09. The program included the development of a multi-layered communication plan to assist with implementing the Risk Differentiation Framework. The communication strategy included utilisation of the Internet, face-to-face meetings with taxpayers and setting up a dedicated email address to receive suggestions from stakeholders.

The new framework was championed by the Commissioner for Taxation within the business community and issues raised during the Commissioner’s discussions and meetings resulted in the creation and publication of the Large Business and Tax Compliance Booklet. LB&I also developed a ‘Frequently Asked Questions’ document.

It has been noted by the ATO that the effort made to develop a sound communication strategy resulted in a positive increase in the public’s perception of the professionalism of the ATO.

Review

The framework has allowed resources to shift from lower risk taxpayers to higher risk taxpayers in a considered manner.

The ATO’s resources are now better utilised and targeted to higher risk companies; the result being that there is a reduced compliance burden on more compliant (lower-risk) taxpayers.

The ATO has created a ‘hub’ to provide individualised support for lower risk taxpayers while higher consequence taxpayers are engaged one-on-one. The new framework provides a less confrontational environment for discussions between the ATO and its stakeholders, which includes discussions on why the taxpayer has been placed in a particular risk category.

Implementation of the framework, and undertaking a comprehensive communication strategy, resulted in a better understanding by the taxpayer of what is expected of them and what they can expect from the ATO.

The new model has introduced a more ‘real-time’ risk process and reduced the audit cycle for the larger companies, which could previously take three to four years to complete. As staff are more explicit in their assessments of a taxpayer’s relative risk, there has been an improvement in the quality of risk ratings and an increase in voluntary disclosures.

After embedding the approach more fully during 2009/10, the ATO examined its reports and its structures to better align them with the processes and approaches required to make risk differentiation work more efficiently and effectively.

In the longer term, there will be an increase in staff capability, a better alignment of resources for managing risk as well as a better understanding of the individual profiles for the large business market and the variety of their taxation and superannuation compliance needs.

Reporting on compliance is being redesigned to capture the different key performance indicators for each risk rating (lower to higher risk) as identified in the framework.

The framework’s model is repeatable and defensible and is being utilised by other business areas across the ATO. The stakeholder management approach outlined in the framework has been recognised as being relevant for the management of hundreds of thousands of taxpayers and billions of dollars of revenue.

The ATO has shared its approach with other Government agencies and with a number of its international partners, such as China, Canada, the United States of America, the United Kingdom, Singapore and New Zealand.

The ATO’s implementation of its Risk Differentiation Framework is a highly successful example of how managing internal and external stakeholders can lead to successful cultural change both within an agency and in the community.
**A regulatory risk bow-tie featuring the key strategies**

**Compliance constraint**

- **Not ready**
  - Knowledge
    - Those who don't know what our view of compliance is

- **Unwilling**
  - Attitude
    - Those who don't want to comply with our view or
    - Those who don't take reasonable care to comply with our view
  
  (Influences: effort/ease, experiences, economics, equity, ethics, emotions)

- **Unable**
  - Capability
    - Those who are unable to comply with our view

**Causal aspects**

**Voluntary Compliance = Effective Engagement**

**Deter**

- **Educate & exemplify**
  - Public Rulings
  - Speeches
  - Articles
  - Booklets & Guides

**Engage & encourage**

- Governance Guides
- Consult, collaborate & co-design aspects
- Relationship Management work

**Enforcement as deterrent**

- Media releases
- Reminders
- Alerts

**Enable & empower**

- Calculators & Forms
- Pre-filling forms
- Private rulings

**Detection Controls**

**Deal with**

- **Educate & exemplify**
  - Review & Advise

**Engage & encourage**

- Review & Assist
- Review & Adjust

**Enforcement as remedy**

- Audit & Penalise
- Investigate & Prosecute

**Enable & empower**

- We champion appropriate
  - Policy changes
  - Law changes
  - System changes

**Enforce**

- Key Client
- Higher Risk
- Continuous Monitoring
- Continuous Review

- Lower Risk
- Medium Risk
- Periodic Monitoring
- Periodic Review

**Quantitative Intelligence**

- [analytics, outliers]

**Qualitative Intelligence**

- [eyes, ears & experience]

**Champion**

- We champion appropriate

**Risk Initiative Category – Highly Commended – Australian Taxation Office**
Overview

In August 2006, DMO undertook to replace its existing Defence Supply system with an efficient supply management system known as the Materiel Integrated Logistics Information System (MILIS). DMO describes this system as the integral ‘backbone’ to support the Australian Defence Force military capability by effectively managing inventory, providing maintenance support and through a financial module, links with the Department’s financial management system. Defence considered this replacement project to be high risk, and one of the largest enterprise-wide resource planning and implementation projects undertaken in the Department in recent times.

Risk management planning

Installing MILIS was key to developing a consolidated approach to the procurement and the management of Defence assets. Implementation of the system was complex and required careful planning and testing of each stage to ensure success in implementation. This process was underpinned by a risk management strategy that aided effective decision making and guided successful implementation of the system.

The MILIS project office developed a Risk Management Plan (RMP) to define how risks to the project would be managed during implementation of the project. The RMP was reviewed on a six-monthly basis, and altered as required to reflect changes to the department’s structure and the requirements of the project. The RMP defined the procedures to be used by the project team when it was identifying, assessing, prioritising, monitoring and reviewing project risks. The RMP also defined the risk-related roles & responsibilities for project staff and the escalation and reporting criteria that would be in place. A key element of the risk management plan was the Risk Log and Issue Log.

The RMP mandated that:

- The content of all potential risks be reviewed, and if the risk had been appropriately described, and mitigation strategies were identified and considered valid, the plan would be updated to reflect the changing profile of individual risks so that it could be endorsed by senior executive.
- Any new or emerging risks, as identified by the Risk Manager of the project, were considered for inclusion in the top ten risks and issues.
- As part of their overseeing responsibilities, the project executive would escalate risk to program level for more senior resolution if the risks applied across a wider area than just the project. This decision making process reflects the benefits that can be gained by escalating issues to the appropriate level of management or oversight.
- The Project Risk Executive met to evaluate the new and existing risks to the program as required, (at a minimum, monthly).
The RMP also identified the risks and issues management process that the implementation team was to follow. Guidance was provided by the Risk Manager for project personnel to assist with the correct identification, assessment and treatment of risks.

Specific areas of risk, such as key project decision points, were identified in the RMP as requiring a specific focus during the course of the project. The focus in the RMP was on proactive risk identification and risk/issue mitigation. Regular risk and issue reviews were performed to ensure that mitigation strategies were being applied effectively.

**Implementation strategies, plans and processes**

Early in the acquisition phase, a series of workshops were conducted to review the risks identified during the business case development stage, and identify new risks to the project. These risks were used as a starting point to determine mitigation strategies to ensure the successful outcome of the project.

Resource requirements were calculated using a specific reporting tool\(^1\) developed to oversee implementation. Each month, the adequacy of available project resources and the performance against key deliverables to address all known risks, was assessed.

Identified risks were monitored and reviewed via a scheduled fortnightly risk forum that included the following internal and external stakeholders: project team leaders Organisational Change Management, Chief Information Officers Group, Directorate of Materiel Systems Training and the Logistics System Project Office (the sustainment group for the new system). These meetings provided an opportunity to review current risks and issues as well as raise any new matters.

In order to have accurate estimates, the impact cost and likelihood were reviewed and updated by the Project Risk Manager at the regular risk reviews with the owning team leader.

The categorisation and scoring process identified a number of key project risks for particular attention. These risks received specific management focus, with mitigation strategies developed to ensure the successful management of these risks.

The three significant risks that were identified as impacting on the successful delivery of this project were:

- Training in the new system had to be developed and delivered to the entire user base.
- Implementation failure was considered highly likely, as only a ‘big bang’ implementation across all of Defence was a viable technical option.
- The conversion of data from the old to new system could result in a loss of financial integrity and the failure of Defence accounts by external audit.

All of these risks were subject to intense planning and review to identify appropriate mitigation strategies and measures of Key Performance Indicators or measures of success.

The risks were managed by an ‘owning’ team leader as part of their project responsibilities. Mitigation strategies for each risk was included in the overarching plan reviewed by the Project Executive, and incorporated into the project schedule if necessary.

As all project risks were categorised using the agency framework and scoring system for identification of significant risks, the risk profile of the project was able to be articulated and communicated to executive through the reporting and financial management framework of the agency.

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\(^1\) Predict!®
Communication and training

DMO was aware that training was an essential part of the successful implementation of the MILIS project. DMO engaged a contractor to develop a training package that was relevant and could be delivered to the target population which was those responsible for undertaking the procurement and management of Defence supplies. Recognising the importance of stakeholder engagement, the Defence Training Reference Group was engaged to ensure wider Defence agreement to the courses being developed and their delivery schedule.

A pilot of all courses was conducted to confirm a successful transition from design to implementation or commonly understood as ‘test-to-production phase’. A feedback cycle was included in the 17-week training program that allowed problems to be resolved before implementation of the system occurred.

To ensure user support and stakeholder engagement, an assessment and feedback process was included as part of the training program. As a result of identifying risks to implementation, the department was able to ensure that sufficient staff had been successfully trained in the new system and that the feedback provided from these staff exceeded the required benchmark of understanding the requirements of the systems.

Successful implementation

The DMO identified risk mitigation strategies for its ‘big bang’ approach to implementing MILIS. Which included:

• Developing and circulating an implementation plan. This plan identified dates when existing processes would be halted; the processes to be used in the interim; and a detailed restart schedule for business processes following implementation. This business plan was circulated to all major stakeholders in the department via a monthly Project Team (IPT) meeting.

• Practicing the implementation process through a series of Mock ‘Go Live’ events, when all of the implementation activities were conducted through to the point of switching on the new system. Each subsequent iteration of the Mock ‘Go Live’ event included previous risks identified and improvements by adopting a lessons learnt approach.

• Engaging a project team to plan and manage the MILIS risk management plan. This team was responsible for overseeing the management of the plan to ensure all data was accurate, escalating issues to the appropriate level to resolve and provide feedback and ensuring a consistent approach to implementation that recognised the risks and dealt with them accordingly. Engagement of an independent auditor to progressively review readiness for ‘Go Live’ until a sufficient readiness level was achieved. The initial review in April 2009, prior to the first execution of Mock ‘Go Live’, identified many areas where further risk reduction was required with the final review occurring in the lead up to Go Live.