

Victorian Government Risk Management Framework

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Foreword

Managing risk is an important component of public sector governance. Each year the Victorian Government commits significant resources to improve services and infrastructure for the Victorian community. Increasing demands on these services call for sound governance processes that enable the Government to minimise risks to their delivery and optimise available resources.

The *Victorian Government Risk Management Framework* provides for a minimum risk management standard across public sector entities. An attestation by accountable officers in annual reports ensures that this requirement is built into annual corporate planning and reporting processes.

This does not signal a change in policy but rather formalises and builds upon existing processes, as part of the Government's commitment to continuous improvement in public sector governance.

A key benefit of the framework is that it brings together information on governance policies, accountabilities and roles and responsibilities for all those involved in risk management. It also provides a central resource with links to a wide range of risk management information sources.

The framework has been developed in consultation with a broad range of stakeholders with accountabilities for risk management across the Victorian public sector. It is expected that this framework will continue to be refined and developed through input from key stakeholders, in particular, by leveraging the expertise of public sector departments and agencies.

A handwritten signature in black ink, appearing to read 'Tim Holding', with a stylized flourish at the end.

TIM HOLDING MP
Minister for Finance, WorkCover
and the Transport Accident Commission

1 Overview

Risk can be defined as ‘the chance of something happening that will have an impact on objectives’¹.

Risk is an inherent part of service delivery. Whilst it is impossible to operate in an environment devoid of risk, risks can be managed. Departments and other public sector entities play a key role in the delivery of services to the Victorian community. Department and agency heads are accountable to Portfolio Ministers for delivery of services on behalf of government.

Heads of public sector entities including Boards, Chief Executive Officers and departmental Secretaries are responsible for the development and implementation of risk management frameworks and processes within their organisation and should, as a matter of course officially endorse risk management documentation including risk management frameworks and policies.

The *Australian/New Zealand Risk Management Standard* provides a generic, internationally accepted process for identifying, analysing, evaluating and treating risks after establishing and having regard for the relevant strategic, operational or tactical context.

By documenting a requirement for Victorian government entities to adopt a recognised standard, the Government seeks to formalise incorporation of risk management into planning, delivery and reporting processes within and across public sector entities.

To ensure that risks are being managed in a consistent manner, department and agency heads are required to attest in annual reports that:

- agencies have risk management processes in place consistent with the standard (or equivalent standard);
- these processes are effective in controlling the risks to a satisfactory level; and
- a responsible body or audit committee verifies that view.

The framework also promotes the need to address interagency and statewide risks when developing and implementing risk management processes. Increasingly the public sector is operating in an environment of shared accountabilities to achieve outcomes which cut across specific departmental responsibilities. In this context it is important that risks with the potential to impact across agencies or at a whole-of-government level are communicated or escalated through to potentially affected agencies to enable a coordinated, effective and timely approach to risk management.

¹ Standards Australia, ‘Australian/New Zealand Risk Management Standard: AS/NZS 4360: 2004’, p4, Clause 1.3.13

2 Introduction

Risk is something that needs to be considered and addressed by everyone. Management of risk is an area that is receiving increased attention at both national and international levels. A systematic approach to risk management by governments is of increasing importance as the public sector moves to a more sophisticated approach to delivery of services. A traditional approach to addressing risks as individual hazards is no longer appropriate — risks need to be managed in the context of organisational goals.

The *Victorian Government Risk Management Framework* (the framework) has been developed in line with changes to best practice, and also in response to a number of reviews of statewide risk management across the Victorian public sector. The reviews concluded that Victoria's approach to risk management was basically sound, but could improve in a number of areas including:

- clarification of roles and responsibilities;
- broadening the focus of risk management in public sector agencies to include interagency and statewide risk; and
- introduction of a common standard.

Sound corporate governance practice for Victorian government departments and other large public sector agencies requires integration of risk management processes into corporate and business planning. Robust systems and compliance requirements currently exist for the management of financial and emergency risks. Management of risks to all aspects of agency operations is required under existing legislation, but broader risk applications have not received equal attention in government policy and compliance frameworks to date. This framework seeks to address that imbalance.

3 Purpose

The framework has been developed to support good practice in public sector risk management. Specifically, the framework provides for a minimum common risk management standard for public sector entities and attestation by accountable officers that risk management processes are consistent with that standard in annual reports.

The framework also provides links to a variety of risk management information resources and adds clarity to roles and responsibilities, both for those administering risk management policies and those responsible for implementing risk management processes. It also promotes awareness of risk management not only for a specific agency, but at interagency and whole-of-government levels.

It is anticipated that development and implementation of the framework in collaboration with agency representatives will improve communication of risk information and lead to improved coordination of risk management processes across the public sector.

4 Coverage and application

It is recommended that all public sector agencies adopt the framework as a part of good governance and corporate planning processes; however application of the framework is required by those agencies that report in the annual *Financial Report for the State of Victoria* (AFR). This represents approximately 300 public bodies².

5 Adoption of a common risk management standard

All risk management frameworks and processes must as a minimum requirement, be consistent with the key principles of the Australian/New Zealand Risk Management Standard: AS/NZS 4360 (the Standard), or designated equivalent. A common standard ensures that a generally accepted method of risk management is being applied across the public sector, one which adopts a balanced methodology and widely accepted approach to risk identification, analysis and risk reporting.

A common risk management methodology supports the sharing of risk management information at agency, interagency and whole-of-government levels. It also provides opportunities for coordination of training and knowledge management across the public sector and supports quality comparisons and shared learning around risk management strategies.

The Victorian Managed Insurance Authority (VMIA) and the Victorian Auditor-General's Office promote use of the *Australian/New Zealand Risk Management Standard* for Victorian public sector agencies. Most Victorian public sector agencies already have risk management processes consistent with the Standard as the VMIA has promoted its use to departments and agencies in developing their risk management processes since the introduction of the *Victorian Managed Insurance Authority Act 1996*. As most AFR entities are also VMIA clients or participating bodies, the VMIA will provide support in relation to adoption of the Australian Risk Management Standard.

² Department of Treasury and Finance (DTF), *2005-06 Financial Report*, Chapter 4, Note 39 'Controlled entities'. Note: Those entities to whom s53A of the *Financial Management Act 1994* applies and consolidated into the AFR are also encouraged to apply the framework.

6 Accountability

Attestation of compliance with a common risk management standard

Boards and departmental Secretaries of entities to whom the framework applies, are required to provide an attestation in annual reports — as part of the report of operations — that agencies understand, manage and control key risk exposure consistent with the *Australian/New Zealand Risk Management Standard* (or designated equivalent), and that a responsible body or audit committee verifies that view. These requirements are documented in the Standing Direction 4.5.5 of the Minister for Finance. A sample attestation is provided in Attachment A.

Roles and responsibilities

Ultimately, the principal decision making body of the Victorian Government is Cabinet, chaired by the Premier. Cabinet considers all important questions of policy and administration and the Government's legislative program. Cabinet consists of all Ministers of the Crown and the Parliamentary Secretary of Cabinet (also known as the Cabinet Secretary). Ministers administer and are responsible to Parliament for their department of State. Ultimate responsibility for risk management on behalf of the State of Victoria rests therefore with individual Ministers and collectively, with the Premier and Cabinet.

Departments and administrative offices

The *Public Administration Act 2004* establishes the Victorian public service, including departments and administrative offices and establishes values to guide conduct and performance within the public sector. It provides for the operation of public entities and sets out governance principles including the roles, responsibilities and accountabilities of department and administrative office heads. These principles and behaviours inherently affect the way risks are managed across the public sector.

Boards, Chief Executive Officers and public service body heads are primarily responsible for the development and implementation of risk management frameworks and processes for managing risk at department and agency level; however risk is also the responsibility of each individual within an organisation.

The Australian Risk Management Standard³ provides guidance on risk management responsibilities associated with various roles and functions:

- the Board or executive should define and document its policy for managing risk, including objectives for and its commitment to risk management;
- directors and senior executives are ultimately responsible for managing risk in the organization; and
- all personnel are responsible for managing risks in their areas of control.

³ Standards Australia, 'Australian/New Zealand Risk Management Standard : AS/NZS 4360: 2004', p27, clause 4.3.4

An awareness of and commitment to risk management at senior management levels is important. This may be achieved by:

- obtaining the active, ongoing support of the organization's directors and senior executives for risk management and for development and implementation of the risk management policy and plan;
- appointing a senior manager or similar 'champion' (or team) to lead and sponsor initiatives; and
- obtaining the commitment and support of all senior managers for the execution of the risk management plan.⁴

Coordinating entities

The following departments and agencies play a key role in monitoring, reporting and advising government in relation to compliance with risk management requirements under existing legislation, and risks that impact more broadly across the public sector. Key legislation underpinning risk management processes for the Victorian public sector includes the:

- *Victorian Managed Insurance Authority Act 1996*;
- *Financial Management Act 1994*; and
- *Public Administration Act 2004*.

The Victorian Managed Insurance Authority (VMIA)

Under the *Victorian Managed Insurance Authority Act 1996*, the VMIA has a key role to play as a central advisor and source of support for the Victorian State Government in relation to non-financial, insurable and non-insurable risks.

The VMIA will provide the following services:

- advice to Government on whole-of-government downside and upside risks and to be a conduit of risk and risk management information through advice to the Minister for Finance;
- development of a statewide risk register;
- ensure clients have a risk management framework in place, identify opportunities to improve and develop the framework;
- develop a centre of excellence in risk management for the Victorian State Government and for state entities across Victoria including provision of products and services that enable entities to develop and improve their risk management frameworks; and
- client training and seminars to increase the knowledge and capability across government in risk management.

⁴ Standards Australia, 'Australian/New Zealand Risk Management Standard : AS/NZS 4360: 2004', p26, clause 4.3.2

The Department of Premier and Cabinet (DPC)

The *Public Administration Act 2004* provides a framework for good governance across the Victorian public sector. This best practice framework includes principles and values to guide public sector employees that implicitly impact upon how public sector employees deal with issues such as risk.

DPC manages risk through its role as a central agency that coordinates the cabinet process and supports the Premier on issues affecting all of government, as well as in his portfolio of ministerial responsibilities. This includes implicitly mitigating risk through:

- advice to the Premier on policy issues. Briefings typically include advice on keys risks in relation to an issue (including the risks of action or inaction);
- reviewing information in providing advice to the Premier;
- analysing whole-of-government issues;
- coordinating committees whose decisions are then ratified by Cabinet; and
- providing checks and balances through the Cabinet cycle, ensuring a high standard in the quality of final policy advice.

The Department of Treasury and Finance (DTF)

DTF supports the Treasurer and Minister for Finance in complying with obligations under the *Financial Management Act 1994*. This includes provision of risk management frameworks for capturing, monitoring and reporting on financial risks, including risks arising from:

- the level of general government sector debt;
- ownership of public non-financial corporations and public financial corporations;
- changes in the structure of the Victorian tax base;
- management of State assets and liabilities; and
- procurement.

DTF also plays a key role in advising on risks to service delivery through regular reporting against delivery of departmental outputs, whole-of-government performance reports and developing and maintaining a suite of governance frameworks and providing support to the Expenditure Review Committee of Cabinet.

The State Services Authority (SSA)

The *Public Administration Act 2004* provides for establishment of the State Services Authority (SSA) and its roles and responsibilities. The SSA's role includes undertaking systems reviews by direction of the Premier or request of Minister to conduct reviews of management systems or processes. The SSA may also undertake special inquiries and special reviews at the direction of the Premier, which allow the SSA significant investigative powers. These mechanisms provide scope for risk review. The SSA also has a role to promote high standards of governance, accountability and performance for public entities. Additionally, the Public Sector Standards Commissioner has the power to prepare and issue codes of conduct based on public sector values which are binding.

The Victorian Auditor-General's Office (VAGO)

VAGO provides an audit role across all Victorian government agencies with respect to risk management, periodically reviewing and reporting on the level of compliance of public sector entities with governance frameworks. VAGO has also published good practice guidelines for risk management across the public sector.

7 Risk management processes

Defining Risk Management

Risk can be defined as ‘the chance of something happening that will have an impact on objectives’. ‘Risk management involves managing to achieve an appropriate balance between realising opportunities for gains while minimising losses. It is an integral part of good management practice and an essential element of good corporate governance.’⁵

Risk management frameworks should cover a broad range of risk categories that may impact on the ability of an agency to deliver its organisational objectives.

The *Australian/New Zealand Risk Management Standard* provides a generic guide for managing risk. It may be applied to a wide range of activities, decisions, or operations of any public, private or community enterprise, group or individual. The Standard should be applied at all stages of an activity, function, project, product or asset.

Risk Management Planning

Risk management planning should embed risk management in all the organisation’s important practices and business processes so that it is relevant, effective, efficient and sustained. Risk management should be embedded into the policy development, business and strategic planning and change management processes. It is also likely to be embedded in other plans and processes such as those for asset management, audit, business continuity, environmental management, fraud control, human resources, investment and project management⁶.

Risks may be applied at strategic, operational or tactical levels⁷. The following example seeks to illustrate the difference between strategic risks which include external environmental influences, operational risks at the organisational level and tactical risks which impact on the ability to implement strategies.

Box 1: Strategic objective: Ensure the ongoing commitment to the Metropolitan Transport Plan.

Strategic risks: Amendment to strategic transport planning policies alters the emphasis of the plans, changing the nature of impacts on planned transport improvements and in turn changing the type and nature of foreseen imbalances in the transport network.

Operational risks: Contract works to improve the key transport node fall behind schedule causing extended commuter disruption and dissatisfaction.

Tactical risks: Previously undisclosed asbestos identified on the node worksite causes closure of site, amendment of site safety plan and engagement of suitably qualified contractor. This results in further impacts on project outcomes in terms of cost and schedule.

⁵ Standards Australia, ‘Australian/New Zealand Risk Management Standard : AS/NZS 4360: 2004’, foreword and p4, clause 1.3.13

⁶ Standards Australia, ‘Australian/New Zealand Risk Management Standard : AS/NZS 4360: 2004’, p26, clause 4.3.1

⁷ Standards Australia, HB436: 2004, p14

Risks may be long, medium or short term over the life cycle of a project or in relation to corporate planning objectives. The following example illustrates how the long, medium and short term risks might be distinguished for a specific strategic objective.

Box 2: Strategic objective: Linking Metropolitan Transport.

Long term risks: Strategic transport planning policies alters the emphasis of the plans, changing the nature of impacts on planned transport improvements and in turn changing the type and nature of foreseen imbalances in the transport network. Project is halted to reassess demographic impact. Impact on cost, schedule and public expectations.

Medium term risks: Project delay causes cost blow-out and community dissatisfaction and anger at delay and disruption.

Short term risks: Minor cost blow-out and community anger at perceived potential for harm to community caused by discovery of asbestos on site.

Applications of Risk Management

The companion to 'AS/NZS 4360 Risk Management Guidelines: HB436: 2004'⁸ notes that the range of applications of risk management is unlimited. However, the following categories provide a useful overview:

- a) strategic, operational and business planning;
- b) asset management and resources planning;
- c) business interruption and continuity;
- d) change: organisational, technological and political;
- e) design and product liability;
- f) directors' and officers' liability;
- g) public policy development;
- h) environmental issues;
- i) ethics, fraud, security and probity issues;
- j) resource allocation;
- k) public risk and general liability;
- l) feasibility studies;
- m) compliance;
- n) health and safety;
- o) operations and maintenance systems;
- p) project management; and
- q) purchasing and contract management.

⁸ Standards Australia, Standards Australia, HB436: 2004, p9, clause 1.3

Risk treatment⁹

Options for treatment of risks with positive outcomes:

- actively seeking an opportunity;
- changing the likelihood of the opportunity;
- changing the consequences to increase the extent of the gains;
- sharing the opportunity; and
- retaining the residual opportunity.

Options for treatment of risks with negative outcomes:

- avoiding risk;
- changing the likelihood of the risk;
- changing the consequences, to reduce the extent of the losses;
- sharing the risk; and
- retaining the risk.

Risk monitoring¹⁰

In general terms, monitoring and review practices will be one of three types:

- continuous monitoring through routinely measuring or checking particular parameters;
- line management reviews of risks and their treatments; and
- auditing using both internal and external audit staff.

⁹ Standards Australia, Standards Australia, HB436: 2004, p 69-70

¹⁰ Standards Australia, Standards Australia, HB436: 2004, p89

Diagram 1: Risk management processes as described by Standards Australia¹¹

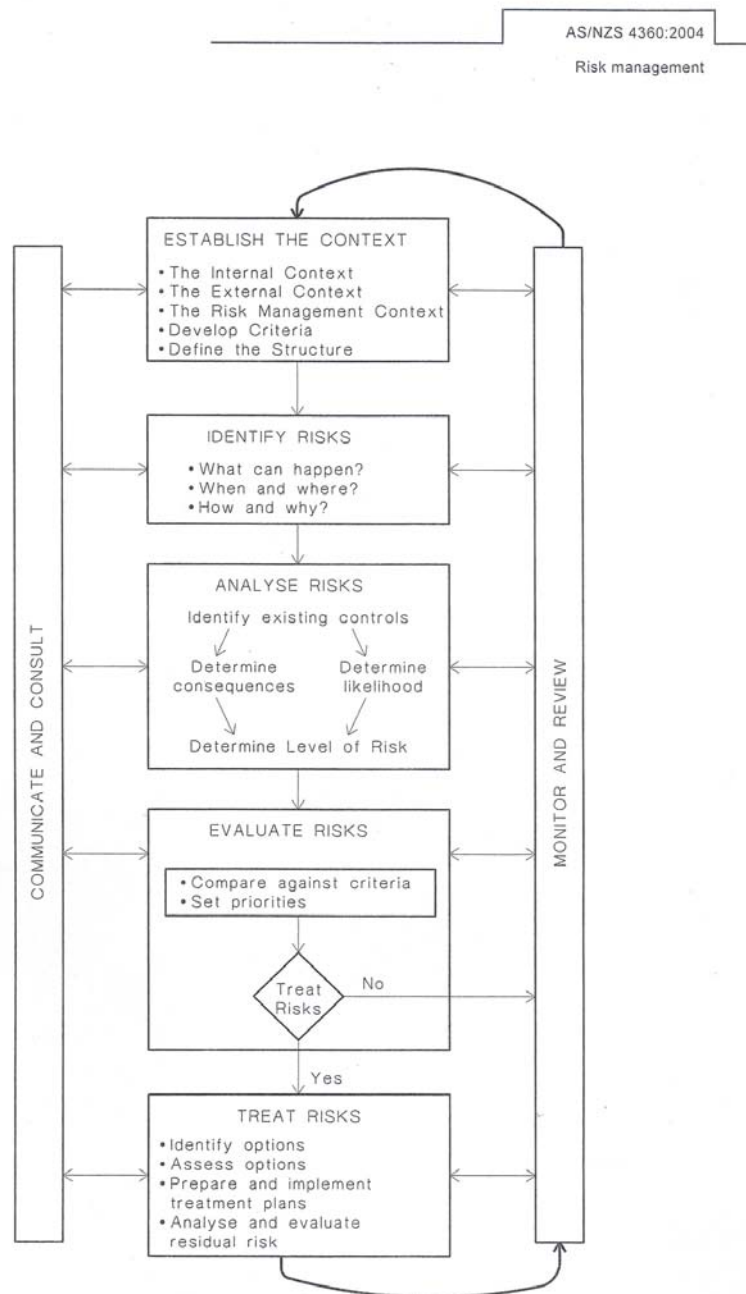


FIGURE 3.1 RISK MANAGEMENT PROCESS – IN DETAIL

¹¹ Standards Australia, 'Australian/New Zealand Risk Management Standard : AS/NZS 4360: 2004', Figure 3.1, p13

8 Interagency and statewide risks

In addition to organisational risks, agencies need to identify and communicate risks where they may impact on other agencies and/or the State. This is increasingly important under a system of joined-up government where the focus is on outcomes which may require coordination of services by more than one department or agency. For example, strategies to address road safety risks may include driver and cyclist skills (education), changes to penalties for driver infringements (police) and improved road conditions (infrastructure).

In its *Good Practice Guide*, the Victorian Auditor-General's Office identifies the following categories of State sector risk:¹²

- **Agency-level risks.** These can become risks to the state because of their size and significance, because of the wider impact of measures to manage them, or because of poor management by agencies;
- **Interagency risks**, which if unmitigated by one agency, become risks for other agencies; and
- **Statewide risks**¹³, which are beyond the boundaries of any one agency and call for a response across agencies coordinated by a central agency.

Risks may be single, joint or multiple, affecting only one agency, other agencies, or impact at a whole-of-government level.

Box 3: Strategic objective: Business Continuity

Whole-of-government or statewide risks¹⁴ are those risks that will affect the Victorian community at large, and the capability of perhaps two or more departments to interact with the community in the delivery of services. The impacts would likely be widespread and of significant consequence.

Example: A pandemic will affect the whole community including employees of all departments and perhaps, most likely, those with pandemic response activities such as public health, community care, transport and education.

Interagency risks are those risks affecting the operations of one or more departments and which impact on the service delivery of other departments.

Example. A department fails to communicate vital information to another department to enable it to effect a timely activity thereby incurring public outrage or dissatisfaction.

Agency risks are those risks specific to the operations of a single department or agency.

¹² Auditor-General's Office (AGO), Victoria, *Managing Risk across the public sector: Good Practice Guide*, 2004, page 2.

¹³ Statewide (multi-agency or whole-of-government) risks

¹⁴ Working definition employed by one Victorian government department

Whole-of-government or statewide risks

Risks that impact more than one agency and cannot be managed by one agency or at interagency level such as the impact of a pandemic or climate change, may require central government coordination of policy initiatives and implementation strategies.

Current legislation that underpins risk management outlines responsibilities and accountabilities for monitoring and reporting risk. Primary legislation underpinning risk management includes the *Victorian Managed Insurance Authority Act 1996*, the *Financial Management Act 1994* and the *Public Administration Act 2004*.

Existing whole-of-government processes for managing risk and machinery of government arrangements are aligned with legislative requirements, so that oversight of financial, insurable and non-financial risks is undertaken at the whole-of-government level by the Department of Treasury and Finance (DTF), the Department of Premier and Cabinet (DPC) and the Victorian Managed Insurance Authority (VMIA).

There are a number of ways in which risks unable to be managed at agency level are currently escalated or reviewed at a whole-of-government level. These include regular monitoring and reporting processes and reports and submissions to Cabinet and Cabinet Committees.

Whole-of-government economic and financial risk management is supported by the Department of Treasury and Finance in partnership with departments and agencies so that financial matters requiring government decisions are escalated to the Treasurer, the Minister for Finance and/or the Expenditure Review Committee of Cabinet. Committee membership includes the Premier, the Treasurer and the Minister for Finance. Responsibilities of the Committee include determining funding parameters, considering all expenditure proposals, monitoring expenditure and approving processes to ensure appropriate financial controls, transparency and accountability. Risk is reported both ex ante and ex post at a whole-of-government level. The Budget Papers provide projections of economic and fiscal risk and sensitivity analyses on a range of issues including prices, wages and interest rates. The annual *Financial Report* includes commentary on financial risk management and policies such as interest rate, credit, liquidity and foreign exchange risks.

The Victorian Managed Insurance Authority (VMIA) provides services to departments and agencies in relation to insurable and non-insurable risk, including insurance advisory services. Key objectives of the VMIA are to provide appropriate insurance products and services, implement risk management advice and support to clients and deliver timely advice to government. The role of the VMIA has recently expanded to incorporate provision of strategic and operational risk management advice, tools and training to support increased awareness of the risk exposure at a whole-of-government level. The VMIA also provide advice to Government in relation to insurable and whole-of-government risk.

Other risks that may impact across multi agencies or affect the community at large such as environmental, social or reputational risks, risks to services or policy implementation may be escalated to a whole-of-government level through submissions to Cabinet or Cabinet Committees by individual departments and agencies or whole-of-government reports coordinated by central agencies. The Department of Premier and Cabinet plays a key role in this process by providing briefings on submissions and secretariat support to Cabinet committees.

Management of risk at a whole-of-government level is evolving in line with new approaches to delivery of government services. A focus on outcomes requires coordination of resources across agencies and similarly corporate governance processes are required that can monitor application of resources across department or agency responsibilities. The State Services

Authority is currently undertaking research that will identify ways to best support a joined-up government approach to delivery of services. In line with good risk management practice, agencies with responsibility for supporting the government in management of risk at a whole-of-government level will continue to investigate and apply systems to improve the coordination of processes for identifying, assessing, managing, escalating and reporting interagency and multi agency risks.

Introduction of a common standard as a basis for risk management processes is an important first step in coordination and collection of risk management information at a whole-of-government level.

Interagency risks

Risks and/or management strategies that apply to one agency can impact others and that in some cases, the flow on effects will require intervention strategies across government. The key point is that risk management planning processes should take into account an awareness of the impact of risks and strategies on other areas across government and include communication of potential impacts through appropriate channels to relevant departments and agencies.

Departments and agencies have a range of internal executive forums and committees in place to discuss and recommend solutions or approaches to address agency and inter-agency risks. Most risks are likely to be managed through informal processes at agency and interagency level without the need for central intervention. To the extent that a formal arrangement is required involving other departments, there are a number of forums where cross agency issues are considered on a regular basis by senior departmental representatives.

Whole-of-government coordination

Interdepartmental Committees (IDCs) are established on an 'as needs' basis with senior officer level representation and terms of reference agreed to by the members of the committees. These committees often play a critical advisory and consultative role on major whole-of-government issues and are an important part of the government's decision-making process.

Two committees that provide for representation at a senior level across government departments are the State Coordination and Management Council and the Public Service Strategic Workforce Development Reference Group.

The State Coordination and Management Council comprises the Secretaries of the ten Government departments, the Chief Commissioner of Police and the Chair of the State Services Authority. The Council meets monthly in a forum that is chaired by the Secretary DPC and supported by DPC. The Council works towards solving policy and implementation challenges across portfolios. It also facilitates the coordination of policy initiatives across the public sector and promotes leadership and information exchange across the Victorian Public Service.

The Public Service Strategic Workforce Development Reference Group consists of deputy Secretaries representing each of the government departments. The group's charter is to:

- develop operational solutions to whole of public service policies and initiatives on behalf of the State Coordination and Management Council;
- provide guidance, knowledge and experience to project leaders developing whole of public service/sector policies; and
- act as a clearing house for information and ideas in innovation in public administration.

Emergency Management

Victoria's Emergency Management systems provide an example of a structured approach to multi agency cooperation and coordination. The Government has established a multi-agency framework with respect to emergency management. This enables the exercise of roles and responsibilities, and the capacity to adapt to new or changed circumstances within a systematic framework.

Risk management in the emergency management context follows the *Australian/New Zealand Risk Management Standard* processes. It is about managing the likelihood and/or potential consequences of risk, when no emergency is happening. In the emergency context, risks are examined that have the potential to become emergencies, if realised. Emergencies can negatively impact on the State's objectives for safety, sustainability and economic prosperity.

There are a number of state-level groups that are part of the emergency management framework. A specific focus on risk assessment is the responsibility of the multi-agency State Emergency Mitigation Committee (SEMC). Its findings will be reported to the Victoria Emergency Management Council, Central Government Response Committee and the Security and Emergencies Committee of Cabinet. The SEMC is supported in its work by the Office of the Emergency Services Commissioner.

Central Government Response Committee (CGRC)

An example of a purpose specific interdepartmental committee is the Central Government Response Committee (CGRC). This is a standing committee set up to deal with emergency management for high impact risks that require an immediate and coordinated response across government. The purpose of the CGRC is to coordinate the whole-of-government response to extreme incidents in Victoria that have, or may have an extreme impact, or have impacts cutting across departmental portfolio responsibilities. The CGRC is chaired by the Secretary, DPC and comprises a senior representative of each relevant department at Deputy Secretary level, a Deputy Commissioner from Victoria Police, the State Emergency Recovery Coordinator (if different from the DHS representative) and the Emergency Services Commissioner (if different from the DOJ representative). It is supported by the Department of Premier and Cabinet and supports the Security and Emergencies Committee of Cabinet.

Security and Emergencies Committee of Cabinet (SECC)

The SECC is the supreme Victorian decision making body in the event of a major incident (including a terrorist related incident) requiring whole-of-government coordination. Its functions are:

- provide direction and policy development and oversee implementation of strategies and programs affecting security and extreme emergency mitigation, including the security of supply of essential services;
- management and coordination of the whole-of-government response to major incidents – the SECC will ensure all necessary actions are taken across Government in a consistent, coordinated and timely way. In doing so, it will consider advice on legal issues, including the powers under which emergency actions are undertaken, and the processes necessary to ensure those powers are properly exercised; and
- communication – the SECC will approve and coordinate public communication in response to a major incident, and coordinate intergovernmental communication if required.

9 Related governance requirements

Business continuity, Security, and Emergency Management plans

Risk management processes in government departments and agencies should include business continuity plans, security plans, and on-site emergency plans in line with government policy requirements.

In 2004 the State Coordination and Management Council (SC&MC) mandated that all government agencies have a Business Continuity Plan in place by 30 September 2004. This was to be based on the *Australian/New Zealand Standards Handbook of Business Continuity Management* (HB 221: 2003) and coordinated via the Central Government Response Committee (CGRC) which is supported by the Department of Premier and Cabinet.

In 2006, the CGRC endorsed the *Victorian Government Escalation Protocol* which requires all agencies to be able to scale up their security plans if the threat environment changes.

In February 2007, CGRC endorsed the *Victorian Human Influenza Pandemic Plan* which commits every department and agency to development of a pandemic plan. Each department has appointed a pandemic manager to coordinate all issues as they relate to pandemic planning and response. This role is incorporated into the departments' business continuity management.

In addition, as part of Occupational Health and Safety requirements, all agencies are required to have on-site emergency plans and comply with the *Occupational Health and Safety Act 2004*.

Disaster Recovery and Information Security

Information is an important government asset. Information security risk management is therefore an integral part of risk management for government agencies. The two relevant standards in this regard are the Disaster Recovery and Information Security policies and standards. These standards are applied to the 'inner budget sector' comprising government departments and four agencies VicRoads, Victoria Police, the Environment Protection Authority and the State Revenue Office.

In addition, under the *Information Privacy Act 2000*, the Government has a requirement to actively manage the risk of breaches to a citizen's privacy.

The Government Services Group (GSG) provides services aimed at a more integrated government focus on information and communication technology. Further information on relevant policies and standards can be located at the DTF website (www.dtf.vic.gov.au).

10 References and links

Owner	Reference	Location
Department of Treasury and Finance	Asset Management Framework	http://www.dtf.vic.gov.au
Department of Treasury and Finance, Gateway	Project management guidelines	http://www.dtf.vic.gov.au
Department of Treasury and Finance, GSG	Information Communication and Technology (ICT) Policies and Standards	http://www.dtf.vic.gov.au
Department of Treasury and Finance, GSG	Information technology – Code of practice for information security management AS/NZS ISO/IEC 17799:2001	http://www.dtf.vic.gov.au
Department of Treasury and Finance, GSG	Information security management systems AS/NZS 7799.2:2003–Part 2	http://www.dtf.vic.gov.au
Department of Treasury and Finance, GSG	Information security risk management guidelines HB 231:2004 Information security risk management guidelines	http://www.dtf.vic.gov.au
Department of Treasury and Finance, GSG	Disaster recovery policy and standards	http://www.dtf.vic.gov.au
Department of Premier and Cabinet	<i>The Terrorism (Community Protection) Act 2003</i> Victorian Framework for the Protection of Critical Infrastructure from Terrorism	http://www.dms.dpc.vic.gov.au
Emergency Services (Office of)	Emergency management manual	http://www.oesc.vic.gov.au
Institute of risk management	Risk management	http://www.thirm.org/publications/Publications.html
Privacy Commissioner (Office of)	Information privacy principles	http://www.privacy.vic.gov.au
Risk Management Institute of Australia	Risk management	http://www.rmia.org.au
Standards Australia	Risk management standard (AS/NZS 4360)	http://www.standards.org.au
Standards Australia	Handbook of Business Continuity Management (HB 221: 2003)	http://www.saiglobal.com
Standards Australia	Risk Management Guidelines (HB 436:2004)	http://www.saiglobal.com
State Services Authority	Public sector governance	http://www.ssa.vic.gov.au
Victorian Auditor-General's Office	Risk management guidelines	http://www.audit.vic.gov.au
Victorian Managed Insurance Authority	Risk management (insurable, non financial)	http://www.vmia.vic.gov.au
Victorian Government Purchasing Board	Procurement guidelines	http://www.dtf.vic.gov.au/

11 Glossary of key terms

Financial Report for the State of Victoria (AFR)	A key accountability document audited by the Auditor-General and published annually around October.
Audit Committee	The Standing Directions of the Minister for Finance state that an audit committee is appointed to oversee and advise the department of agency on matters of accountability and internal control. This committee is a subset of the Responsible Body (or Board) which has been formulated to deal with issues of a specific nature
Australian / New Zealand Risk Management Standard	AS/NZS 4360 – Standards Australia has developed AS/NZS: 4360 as a generic and flexible standard that is not specific to any government or industry sector. The Standard identifies elements or steps in the risk management process that can be applied to a wide range of activities at any stage of implementation.
Public sector	Entities that are controlled by the Victorian Government Sector classifications used in the AFR include general government, public non financial corporations and the public financial corporations.
General Government	The largest sector comprising government departments, offices and other government bodies engaged in providing public services free of charge or at prices significantly below the cost of production.
Public Financial Corporations	Entities primarily engaged in the provision of financial services. (For example: Treasury Corporation Victoria, Transport Accident Commission, Rural Finance Corporation, State Trustees)
Public Non-Financial Corporations	Provide goods and services (of a non financial nature) within a competitive market. (For example: water and port authorities, cemetery trusts, waste management groups or Federation Square Pty Ltd))
Responsible body	For a Government Department, the Accountable Officer and for every other Public Sector Agency, the board.
Risk	'The chance of something happening that will have an impact on objectives'. ¹⁵ 'Risk management involves managing risks to achieve an appropriate balance between realizing opportunities for gains while minimizing losses'. ¹⁶
Agency-level risks	Risks that have the potential to impact the outputs or organisational objectives of a specific agency.
Interagency risks	Risks which if not treated by one agency, become risks for other agencies
Statewide risks	Risks, which are beyond the boundaries of any one agency and call for a response across agencies coordinated by a central agency or agencies
Risk management framework	A risk management framework defines the manner in which risk management is conducted throughout the Department, agency or organisation. Its purpose is to embed risk management across all major practices and business processes including business and strategic planning, policy development, asset management, audit, business continuity, fraud control and project management.

¹⁵ Standards Australia, 'Australian /New Zealand Risk Management Standard (AS/NZS: 4360' p4)

¹⁶ Standards Australia, 'Australian /New Zealand Risk Management Standard (AS/NZS: 4360' p4 piii)

Attachment A: Template for attestations for public sector departments and agencies in annual report of operations

Details pertaining to this requirement may be located under Standing Direction 4.5.5 of the Minister for Finance.

To ensure that risks are being managed in a consistent manner, public sector entities are required to attest in annual reports that:

- agencies have risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard* (or equivalent designated standard);
- these processes are effective in controlling the risks to a satisfactory level; and
- a responsible body or audit committee verifies that view.

Attestation of compliance should be made annually in the report of operations and the person making the attestation, usually the chief executive officer or accountable officer, should not make the attestation unless the audit committee or responsible body (for instance the board of a statutory authority) agrees that such an assurance can be given.

Department

I, [*Accountable Officer*] certify that the [*name of department*] has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard* (or equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of the [*name of department*] has been critically reviewed within the last 12 months.

Statutory Authority and other relevant agency

I, [*Chair of Board*] certify that the [*name of agency*] has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard* [*or designated equivalent*] and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The [*responsible body*] verifies this assurance and that the risk profile of the [*name of agency*] has been critically reviewed within the last 12 months.

Attachment B: Administrative inventory of key acts and policies

This inventory is intended as a guide to legislation and governance frameworks related to risk management administered by central agencies. Sector coverage is indicative of requirements, however a number of guidance frameworks are recommended best practice for all public sector entities. For example, *Gateway reviews* have been undertaken for a number of Public Non-Financial Corporations and procurement policies and tools are widely used across government. It should be noted that departments and agencies with responsibility for overseeing risk management processes may also require compliance with industry specific policies or legislation not listed here.

Current Government Framework	Sector Coverage		
	Public financial corporations (PFCs)	Public non-financial corporations (PNFCs)	General Government (GG)
<i>Financial Management Act 1994</i>			
Part 7 accountability and reporting requirements	√	√	√
Part 7A – supply management & Victorian Government Purchasing Board			√
Requirements for asset register and risk management strategy (section 44B)	√	√	√
Requirement for SOEs to prepare annual report (section 53A)		√ (a)	
FMA Ministerial Standing Directions (section 8)	√	√	√
<i>Borrowing and Investment Powers Act 1987</i>			
Part 2 & 3 borrowing and investment powers	√ (b)	√ (b)	
Treasury Management Guidelines		√√ (c)	
Budget Sector Treasury Management Policy			√
Application to the Granting and Use of Borrowing/Investment Powers for State Entities (September 2001)		√	
<i>Public Administration Act 2004</i>			
Part 5 operation of entities, governance	√	√	√
<i>Victorian Managed Insurance Authority Act 1996</i>			
Requirement to provide assistance with establishing risk management programs. Monitoring processes and training and advice (section 6)	√ [d]	√ [d]	√ [d]

Current Government Framework	Sector Coverage		
	Public financial corporations (PFCs)	Public non-financial corporations (PNFCs)	General Government (GG)
Requirements for asset register, risk management strategy (section 23)	√ [d]	√ [d]	√ [d]
Requirement to arrange insurance with VMIA (section 24)	√ [d]	√ [d]	√
Audit Act 1994			
Authorities to be audited annually (section 8)	√	√	√
Privacy Act	√	√	√
The Terrorism (Community Protection) Act 2003			
Part 6—Essential Services Infrastructure Risk Management	√	√	√
Victorian Framework for the Protection of Critical Infrastructure from Terrorism	Owners/operators of critical infrastructure as advised by DPC.		
Guarantee Policy (incorporating Guarantee Charge and FAL) 2003		√	√
Indemnities and Immunities Policy	√	√	√
Prudential Statement for Public Sector Investments	√√		
Prudential Statements - Investment Powers of Councils (1998)	Local councils only		
Capital Pricing and Reserving Policy Framework for Statutory Insurers	√√		
Contingent Liabilities Management Framework (April 1998)		√	√
Prudential Supervision Policy Treasury Corporation of Victoria (TCV)	TCV only		
Prudential Supervision Policy Rural Finance Corporation (RFC)	RFC only		
Prudential Risk Management Framework for State's Financial Markets Activities	√	√	√
Financial Leasing Policy		√	√
GBE Corporate Governance Guidelines	√	√	
Asset Management Guidelines	√	√	√
Gateway Reviews and Best Practice Guidance	Recommended best practice outside of general government		√
Contingent liabilities Management Framework	√	√	√
Australian Standards Handbook of Business Continuity Management (HB 221: 2003)	√	√	√
Information Security Management Policy			√
ICT Disaster Recovery Policy			√

New/under development	Sector Coverage		
	Public financial corporations (PFCs)	Public non-financial corporations (PNFCs)	General Government (GG)
<i>Prudential Supervision Framework & Polices (VFMC, TAC and VWA)</i>	√		
<i>Insurance Management Policy for General Government sector</i>			√
<i>Victorian Government Risk Management Framework</i>	√√	√√	√√
<i>University Borrowing Guidelines</i>	Higher Education Sector only		
<i>Office Accommodation Guidelines (being updated now)</i>	All government owned and leased property and buildings		
<i>Office Building Standards Guidelines (being updated now)</i>	All government owned and leased property and buildings		
<i>Security in Construction Design Guide (developed by Office of Major Projects – to be launched soon)</i>	TBA		

Key to table:

- √ Policy applies.
- √√ Policy applies and attestation required.
- (a) Applies to state-owned corporations within the meaning of *Corporations Act 2001* or bodies declared by Governor in Council. Other sections of the *Financial Management Act 1994* do not apply to entities required to report to Parliament under section 53A.
- (b) Applies bodies listed in Schedule 1 of the Act (mainly Public Financial Corporations and Public Non-Financial Corporations).
- (c) Applies to Public Non-Financial Corporations whose power to invest is governed by the *Borrowing and Investment Powers Act 1987*.
- (d) Victorian Managed Insurance Authority clients and /or designated participating bodies.