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## Policy No. 14

# Risk Management

### DOCUMENT CONTROL

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<b>On behalf of Board:</b>	Denis Moroney President
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## **TITLE**

Risk Management

## **PURPOSE**

Our policy is to use world's best practice in risk management, to support and enhance activities in all areas of our organization, and to ensure that risk management is an integral part of all our decision-making processes.

We will use a structured risk management program to minimize reasonably foreseeable disruption to operations, harm to people and damage to the environment and property. We will identify and take advantage of opportunities as well as minimizing adverse effects.

We will train our people to implement risk management effectively. We will strive to continually improve our risk management practices.

## **SCOPE**

State Office / ranges / branches / sub clubs

## **OBJECTIVE**

Provide direction

## **POLICY DETAILS**

### **Process**

A risk management procedure has been established, based on the Australian Standard AS/NZS 4360:1999. It should be used for guidance by everyone involved with the application of risk management.

The Management Committee will facilitate the development of a common risk management approach across areas of our business by:

- Implementing the risk management program;
- Sharing information with broad applicability across all areas; and
- Reporting on the progress of implementing the risk management program.

### **Responsibilities**

The CEO is accountable to the Board for the implementation of the risk management process and ultimately responsible for the management of risks in the business.

All personnel are responsible for managing risks in their areas. Administrators will have a different view of risk to that of someone working on a range, but each has an important personal responsibility to ensure that risks within their control are managed according to the rules of the association and the standards expected.

Everyone has responsibility for risk management.

## **MONITORING, EVALUATION AND REVIEW**

The Board will monitor and review the implementation of the risk management program.

## **ASSOCIATED DOCUMENTS / REFERENCES**

None

### **Overview & Policy Purpose**

The management of risk is an essential element of the SSAA (Vic)'s strategy and the way in which we operate.

The Board, being ultimately responsible for risk management associated with the SSAA (Vic)'s activities, has established an integrated governance and accountability framework, policies and controls to identify, assess, monitor and manage risk.

The risk management framework is underpinned by a system of delegations, passing from the Board through the Chief Executive Officer (CEO) to the various risk, support and business units of the SSAA (Vic).

The purpose of this policy is to provide a high level description of the Sporting Shooters Association (Victoria) risk management systems and framework.

### **Authority**

The Risk Management Policy has been adopted as a policy by resolution of the Board of Directors of the SSAA (Vic).

It takes effect from date of adoption and supersedes all previous policies or documents referred to as Risk Management Policy Systems.

### **Key Definitions**

Risk management definitions can be found in the definitions section of the Standards Australia risk management standard, AS/NZS ISO 31000:2009 - Risk Management: Principles and Guidelines.

The key definitions are as follow:

#### **Risk**

- Effect of uncertainty on objectives.

#### **Risk Assessment**

- Overall process of risk identification, risk analysis and risk evaluation.

#### **Risk Management**

- Coordinated activities to direct and control an organisation with regard to risk.

## **Risk Management Process**

- Systematic application of management policies, procedures and practices to the following activities: communicating, consulting, establishing the risk context, identifying, analyzing, evaluating, treating, monitoring and reviewing risk.

A **material risk** to the SSAA (Vic) is defined as a risk that has an inherent and / or a residual risk rating of high or critical.

## **Objectives**

Within the context of the SSAA (Vic)'s mission and vision, the Board and Management establishes strategic objectives, selects strategy and sets aligned objectives which cascade through the organisation. The objectives of the risk management framework are:

- To assist in the achievement the SSAA (Vic)'s objectives;
- To assist in the development and maintenance of strong systems of corporate governance and internal controls as the basis for a robust and secure business and operating environment;
- To minimise losses suffered by the SSAA (Vic);
- To provide a greater level of assurance to the Board of Directors and Management that internal policies, procedures, standards and controls are complied with;
- To ensure the SSAA (Vic) follows best practice in risk management;
- Increase Member confidence in the integrity of the SSAA (Vic);
- To meet legal and regulatory requirements.

The risk management framework objectives will be achieved by:

- Periodically reviewing its understanding risks confronting the SSAA (Vic);
- Developing and maintaining a culture of risk awareness at all levels of the organisation;
- Developing and maintaining the appropriate policies and procedures for management of risk;
- Ensuring robust, continuous, logical, and systematic risk management processes are adopted;
- The SSAA (Vic) managing risk in ways that will generate and protect member value.

## **Risk Management Systems and Framework**

### **Roles and Responsibilities**

#### **Board Responsibilities**

The Board principally through the Audit Committee oversees the establishment, implementation, review and monitoring of risk management systems and policies, taking into account Risk Appetite, the overall business strategy, management expertise and the external environment. This includes approving risk limits and risk policies.

	<p>To assist the Board with this responsibility the Board has established an Audit Committee. The Board is responsible for approving the risk management framework and policies, and setting its risk appetite.</p> <p>The Board is responsible for ensuring material risks have been identified and that appropriate and adequate controls, monitoring and reporting mechanisms are in place.</p>
<p><b>Board Audit Committee Responsibilities</b></p>	<p>The Audit Committee is responsible for the oversight of, identification, management and monitoring of the risks faced by the SSAA (Vic) and for ensuring that the SSAA (Vic) maintains a culture of risk awareness, risk identification, and risk management which is embedded within the organisation. It is also responsible for oversight of the SSAA (Vic)'s external financial reporting requirements, Internal and External audit programs and its Compliance Program.</p> <p>Regular reporting on the risk profile and progress on risk mitigation activities, particularly for those risks identified as having a high residual risk rating is reviewed by the Audit Committee at each meeting.</p> <p>Full details of the role and responsibility of the Audit Committee can be found in the Audit Committee Charter.</p>
<p><b>Executive Management Responsibilities</b></p>	<p>Whilst the Board has responsibility for setting the SSAA (Vic)'s appetite for risk, the CEO is responsible for taking into consideration impact of strategies and business plans on the SSAA (Vic)'s risk appetite.</p> <p>The CEO has been delegated overall responsibility for the implementation and monitoring of risk management systems and processes.</p> <p>The CEO has responsibility for ensuring that the Board approved strategies and decisions are appropriately implemented as well as managing and monitoring the day to day activities of the SSAA (Vic) including the management of risk and consideration of emerging risks and opportunities.</p> <p>Managers are required to analyse their business unit risks in the context of Board expectations, specific business objectives and the organisation's risk appetite. On a day to day basis each Manager and staff member are responsible for carrying out their</p>

	roles in a way that manages risk in line with policies and procedures.
<b>CEO Finance Assurance</b>	<p>As part of the statutory reporting arrangements for the SSAA (Vic), the CEO provides a written declaration to the Board that:</p> <p>The SSAA (Vic)'s financial statements and notes to the financial statements comply with accounting standards; give a true and fair view of and comply with the Corporations Regulations 2001;</p> <p>The financial records of the SSAA (Vic) for the financial year have been properly maintained in accordance with the Corporations Act 2001, and</p> <p>The above statements regarding the integrity of the financial reports are founded on a sound system of risk management and internal control and that the systems, including those relating to business continuity, are operating effectively in all material respects in relation to financial reporting risks.</p>
<b>Risk Principles</b>	
<b>Overview</b>	This Risk Management Principles and Systems Description summarises the risk management control framework of the SSAA (Vic). Specific details and responsibilities for managing each category of risk are contained in the relevant policy statements, frameworks and procedures.
<b>Risk Management Framework</b>	A structured framework has been established to ensure that the risk management objectives are linked to business strategy and operations. Risk management is underpinned by an integrated framework of responsibilities and functions driven from Board level down to operational levels.
<b>Risk Management Functions</b>	Dedicated and independent risk management functions are in place (see above) for material risk areas faced by the SSAA (Vic). These functions provide subject matter expertise on their respective risk areas and are charged with facilitating the consistent implementation of the risk policies and frameworks across the SSAA (Vic).

	The SSAA (Vic)'s functional approach to Risk Management reflects the 'Three Lines of Defence' <sup>1</sup> model as shown in Appendix 1.
<b>Risk Appetite</b>	The Board has defined general parameters to manage the risk profile within approved Risk Appetite and tolerances, which considers both downside risk and opportunities- Refer Appendix 2.
<b>Risk Management Measurement, Reporting and Control</b>	Effective measurement, reporting and control of risk is vital to manage the SSAA (Vic)'s business activities in accordance with overall strategic and risk management objectives. The risk management, reporting and control framework requires the quantification of exposures, and a comprehensive set of limits to ensure that exposures remain within agreed boundaries. The management of operational risk is based on a documented policy and framework.
<b>Internal Controls</b>	The risk management framework requires robust internal controls across all aspects of the business as well as strong support functions covering legal, regulatory, governance, finance, information technology, human resources and strategy. Consequently the effectiveness and efficiency of controls is evaluated in all new and amended products, processes and systems.
<b>Insurance</b>	<p>An annual review and assessment of the SSAA (Vic)'s insurable risks in consultation with external advisors is undertaken to ensure insurable risks are identified and appropriately covered. It is recognised that insurance is not a substitute for a sound risk management framework but it assists in transferring some of the risks to the market. The following Insurance covers are maintained:</p> <ul style="list-style-type: none"> <li>○ Directors' &amp; Officers' Liability Insurance</li> <li>○ Professional Indemnity Insurance</li> <li>○ Employment Practices Liability Insurance</li> </ul> <p>General Lines</p> <ul style="list-style-type: none"> <li>○ Industrial Special Risks</li> <li>○ General and Products Liability</li> <li>○ General Property</li> <li>○ SSAA (Vic) Personal Accident</li> </ul> <p>A report on the corporate insurance coverage is presented annually to the Board through the Audit Committee</p>

<sup>1</sup> The Financial Services Authority in the UK recommended the '3 Lines of Defence' approach to increase effectiveness of the risk control infrastructure which has also been adopted by Ernst & Young as a best practice approach.

<p><b>Risk Management Systems</b></p>	<p>Accurate, reliable and timely information is vital to support decisions regarding risk management at all levels. The requirements span a diverse range of risk functionality including management, performance measurement, operational risk and regulatory reporting, as well as those systems supporting our staff.</p> <p>The SSAA (Vic) maintains and implements specific policies and procedures to measure, monitor, manage and report on the material risks to which it is exposed. Each policy contains requirements to be met for review and approval.</p>
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**Material Risks**

<p><b>Overview</b></p>	<p>The risk management framework of the SSAA (Vic) is structured upon:</p> <ul style="list-style-type: none"> <li>Core Values - overriding principles governing all activities;</li> <li>Risk Appetite – refer Appendix 2; and</li> <li>Specific Risk Policies - appropriate policies, framework documents, procedures and processes implemented to manage specific risks to which the SSAA (Vic) is exposed.</li> </ul> <p>The Board has identified that the material risks relating to the SSAA (Vic) can be categorised as, operational and strategic risk.</p> <p>The risks are described below.</p>
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<p><b>Operational Risk</b></p>	<p><i>Operational risk</i> is defined by the SSAA (Vic) as: "the risk of impact on objectives resulting from inadequate or failed internal processes, people and systems or from external events, including legal and reputation risk but excluding strategic risk".</p> <p>The Board Audit Committee is responsible for the oversight of the operational risk management policies and effectiveness of implementation across the SSAA (Vic).</p> <p>Each individual Manager has day to day responsibility and accountability for the management of operational risk in their business/support line including, but not limited to ensuring operational risk management strategies are in place and operating effectively.</p> <p>Management and staff in each business area are responsible for identifying operational risks and determining, implementing, monitoring and reporting on policies and practices to manage operational risks to which their business unit is exposed.</p> <p>The SSAA (Vic) considers both the internal and external environment as well as emerging risks when monitoring and assessing operational risk.</p>
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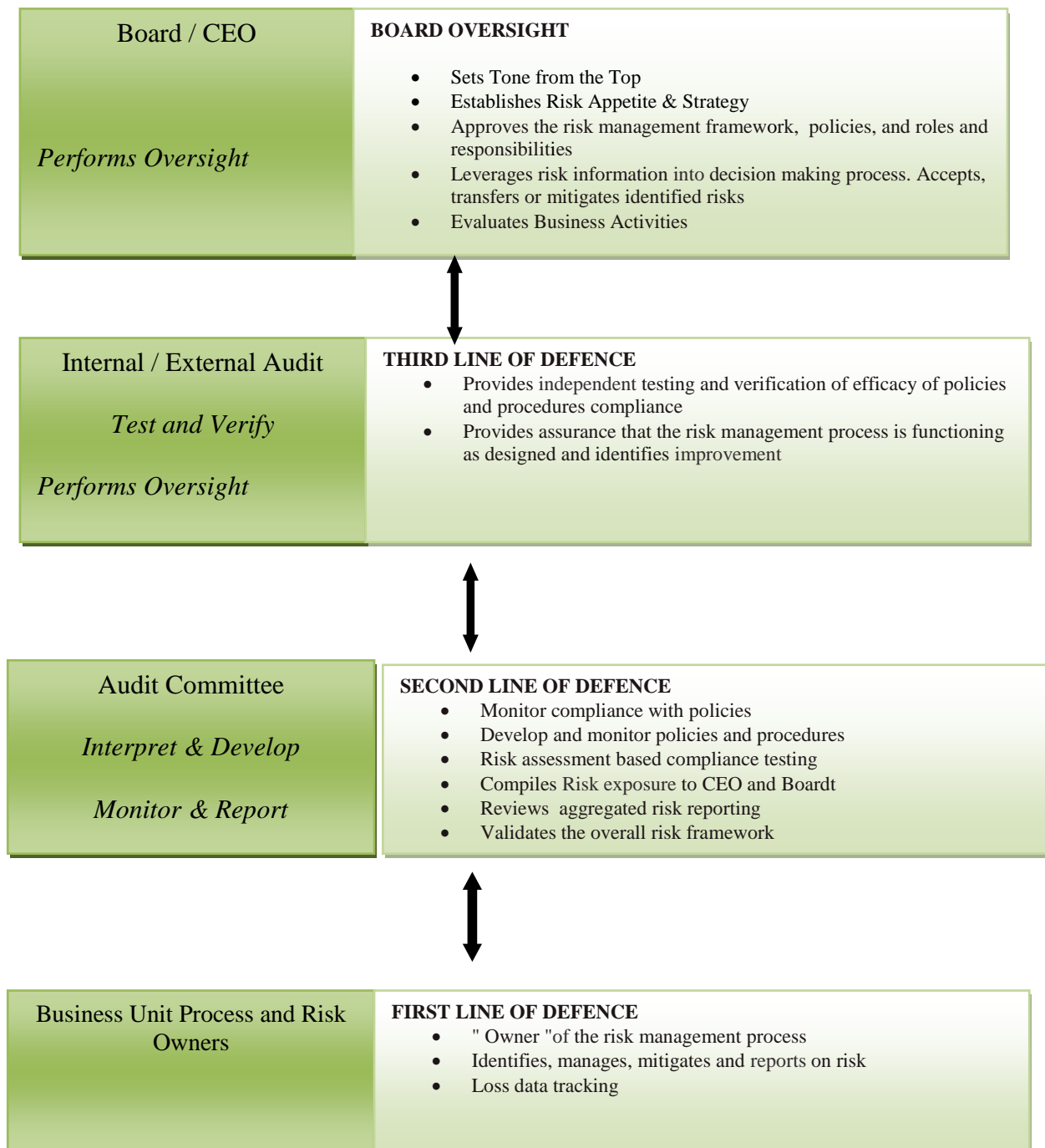
## **Strategic Risk**

*Strategic risk* is defined as the risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the environment will impact our ability to meet our objectives.

The SSAA (Vic) undertakes a formal strategic planning process annually, utilising a structured template and a series of meetings to obtain input from the CEO Managers and Sub Clubs.

The Board of Directors have ultimate responsibility for strategic risk.

## Appendix 1 – The SSAA (Vic)'s '3 Lines of Defence'



### **1st Line of Defence**

Controls the SSAA (Vic) has in place to deal with day-to-day business operations. Controls are designed into systems and processes, and assuming that the design is sound to appropriately mitigate risk. Compliance with process should ensure an adequate control environment. The SSAA (Vic) will endeavour to have adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdowns, inadequacy of process, and unexpected events.

### **2nd Line of Defence**

The Audit Committee to provide an oversight of the effective operation of the internal control framework. This includes review of risk in relation to the particular risk appetite of the business, as determined by the Board. The effectiveness of the 2nd line is determined by the terms of reference, the competence of the Committee members and the quality of the management information and reports that are considered by this committees.

This risk management function defines and prescribes the financial and operational risk assessment processes for the business; reviews the risk register and undertakes regular reviews of these risks in conjunction with the CEO

### **3rd Line of Defence**

This describes the independent assurance provided to the Board through the Audit committee, by the **internal and external** audit functions reports to that committee.

Internal audit undertakes a program of risk based audits and assurance processes covering all aspects of both 1st and 2nd lines of defence.

External Audit undertakes the annual statutory audit, and through doing so provides independent assurance to the Board through the Audit Committee, that subject to the scope of the audit engagements that the financial statements give a true and fair view of the financial position performance of the SSAA (Vic);

## Appendix 2 – Board approved Risk Appetite & Tolerance

All activities undertaken by the SSAA (Vic) will be consistent with our Mission, Vision and Positioning. We will avoid activities that result in undue financial risk to the SSAA (Vic); however we will continue to develop and implement new products and services which assist in achieving our strategic objectives.

- Market Growth – We will actively pursue our business plan strategies to meet sustainable market growth objectives.
- Reputation and Brand Image – We will manage and avoid situations and actions that could have a negative impact on our reputation and brand.
- Financial Strength – We will maintain a focus on operating within our strategic financial framework parameters.
- Loss Exposure – We will manage our operational activities and exposures to avoid / limit reductions to budgeted pre-tax profit that inhibit the ongoing sustainability of the business.

Performance indicators are agreed by the Board annually and are aligned to the budget and business plan objectives. These performance indicators are reported monthly to the Board and include ‘traffic light’ tolerance ranges (triggers) to indicate performance. Any ‘red’ indicators are reported and discussed monthly with the Board. The following risk appetite and tolerance metrics will guide the SSAA (Vic)’s strategic planning and strategy setting.

### Risk Appetite and Tolerance Metrics:

Risk Category	Metric	Risk appetite (target / target range)	Risk Tolerance (range)
Governance	<ul style="list-style-type: none"> <li>• Governance (Qualitative)</li> </ul>	<ul style="list-style-type: none"> <li>• Sound corporate governance is an imperative and accordingly the appetite for poor corporate governance is low and the Board will avoid governance risks.</li> </ul>	<ul style="list-style-type: none"> <li>• For some governance related risks the Board recognises that due to their nature, the point in time assessment of the risk and other factors that the residual level of risk is above the Board's appetite. Through its governance committee processes or the Board plan, strategies or actions to mitigate and / or reduce the level of risk will be addressed to ensure that the risks do not move outside the tolerance range.</li> </ul>
Stakeholder	<ul style="list-style-type: none"> <li>• Membership Growth</li> <li>• Member Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• As per Strategic Plan</li> <li>• Based on Strategic Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Low tolerance for negative growth</li> <li>• Refer Strategic Plan</li> </ul>

<b>Risk Category</b>	<b>Metric</b>	<b>Risk appetite (target / target range)</b>	<b>Risk Tolerance (range)</b>
External Operational	<ul style="list-style-type: none"> <li>• Reputation (Qualitative)</li> <li>• External Fraud</li> <li>• Business Disruption</li> </ul>	<ul style="list-style-type: none"> <li>• Avoidance of reputational damage</li> <li>• Financial losses avoided</li> <li>• Service delays of not more than three working days</li> </ul>	<ul style="list-style-type: none"> <li>• No tolerance for damaged reputation among our Members that leads to broader, ongoing negative market perception</li> <li>• Non-recoverable financial loss to not exceed \$5K pa</li> <li>• Service delays of not more than five working days</li> </ul>
Legal Operational	<ul style="list-style-type: none"> <li>• Compliance (Qualitative)</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance breaches are avoided</li> </ul>	<ul style="list-style-type: none"> <li>• Will tolerate breaches where it is shown that any breaches that do occur are proactively identified and addressed through the Compliance Program.</li> <li>• Due to the substantive legal and regulatory environment the SSAA (Vic) operates within the SSAA (Vic) will allow some tolerance for incomplete compliance by the implementation dates as long as systems and processes are being put in place to achieve full compliance.</li> </ul>
Physical Assets	<ul style="list-style-type: none"> <li>• Loss of Assets (Qualitative)</li> <li>• Business Continuity Management Event (Qualitative)</li> <li>• OH &amp; S</li> </ul>	<ul style="list-style-type: none"> <li>• Low appetite for incurring a loss of asset value above \$10,000</li> <li>• Ensuring ongoing capability is in place for the continuation of critical business functions, and for a timely and orderly recovery of full and normal operations, under conditions of disaster</li> <li>• Avoidance of Occupational Health &amp; Safety incidents</li> </ul>	<ul style="list-style-type: none"> <li>• Low tolerance for losses in physical assets.</li> <li>• Restore IT within 5 working days and physical operations within 10 working days.</li> <li>• We will not tolerate any significant OH&amp;S incidents resulting from previously</li> </ul>

<b>Risk Category</b>	<b>Metric</b>	<b>Risk appetite (target / target range)</b>	<b>Risk Tolerance (range)</b>
			identified hazards that remain un-rectified
Process	<ul style="list-style-type: none"> <li>• Audit Findings</li> <li>• Member Complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Audit issues - the number of internal or external audit issues rated high that have not been resolved in a timely manner will be avoided</li> <li>• Member complaints - the number, duration, and severity of failures to provide customers with prompt, reliable, and effective complaint resolution does not increase more than specified in KPIs in Strategic Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit issues - the number of internal or external audit issues rated high that have not been resolved in a timely manner will not exceed five.</li> <li>• There are no significant changes in the base level of complaints</li> </ul>
Information Management & Information Systems	<ul style="list-style-type: none"> <li>• System Security</li> </ul>	<ul style="list-style-type: none"> <li>• No appetite for: any number of and severity of virus attacks which have any success; critical vulnerabilities left unresolved for a period; or security events with a high impact.</li> </ul>	<ul style="list-style-type: none"> <li>• No tolerance for: any number of and severity of virus attacks which have any success; critical vulnerabilities left unresolved for three working days; or security events with a high impact.</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>• Liquidity (Qualitative)</li> </ul>	<ul style="list-style-type: none"> <li>• Low appetite for any liquidity risks that threatens ability to pay debts when and as due:</li> </ul>	<ul style="list-style-type: none"> <li>• Nil</li> </ul>