

# Governance Story for Aboriginal Corporations

## Planning for problems





## Governance Story for Aboriginal Corporations series

These books help members and directors of Aboriginal corporations understand governance.



The Central Land Council (CLC) and Aboriginal corporation directors in the CLC region made these books.

This book is only for learning. It is not advice. If you have a question or a problem, talk to a lawyer. The writers of this book, CLC and ORIC are not responsible for things you do because of this book.

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# Hard words

## **corporation**

A group of people want to hold land, make money or work together. So, they make a legal person, called a corporation. A corporation is only a person on paper.

## **members**

The Aboriginal corporation belongs to a group of people. These people are the members.

## **directors board of directors board**

The members choose a group of members to govern and make decisions for the corporation.

The whole group of directors is called the board of directors, or board for short.

## **operations**

The everyday work of the corporation.

## **records**

Different ways to keep important information, like papers, photos, videos and sounds.

## **resources**

Everything the corporation needs to do its work. These can be things like money, people, tools, buildings, cars and computers.

## **enterprise**

A corporation that sells things or does things to make money.



**comply**  
**compliance**  
**compliant**

These words mean the same thing. They all mean following all the laws and rules, so the corporation does not get into trouble.

**risk**

Things that might go wrong.

**risk**  
**management**

Planning to:

- stop risks from happening
- fix problems when risks happen.

**policies and**  
**procedures**

The rules and instructions about how people do their work or look after things that the corporation owns.

**insurance**

The corporation pays money to a company every year. Then, if something goes wrong, that company helps pay for the big costs.

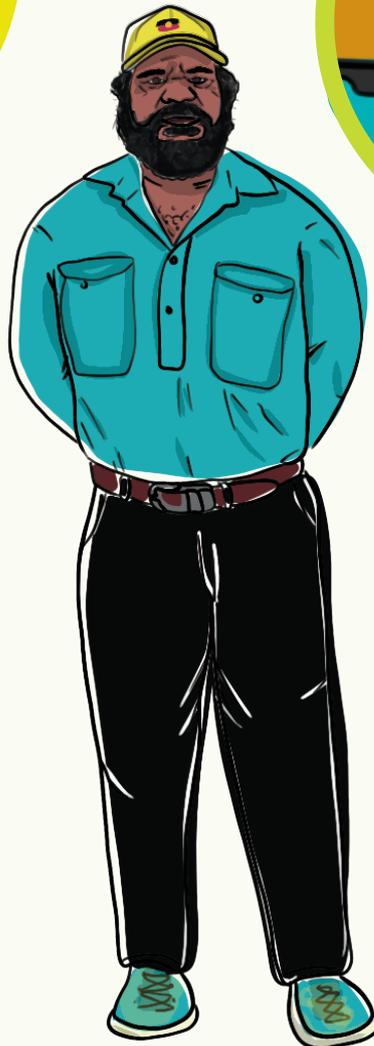
# What are risks?

Risks are things that might go wrong.

When driving a car, you might:

- run out of fuel
- get a flat tyre
- have an accident.

These are risks. They have not happened yet, but they might.



## Types of risks in a corporation

### Compliance risks

#### Examples

- People in the corporation do not follow the laws.
- People in the corporation do not follow the rule book.
- Directors do not report to ORIC the right way.
- Directors and staff do not know when laws change.

### Operational risks

#### Examples

- Resources, like cars and computers break.
- There are not enough people to do all the everyday work of the corporation.
- Natural disasters, like floods or fires stop the corporation doing its work.

### Safety risks

#### Examples

- People get hurt.
- People get sick.
- People do not feel safe or respected.

## Financial risks

### Examples

- Funding, or money for the corporation stops.
- Prices of things and services go up.
- The corporation borrows money it cannot pay back. This is called debt.
- The corporation does not have enough money to pay its bills. This is called insolvency.

## Security and fraud risks

### Examples

- People steal from the corporation.
- People break into corporation buildings or cars.
- People break equipment.
- People find out confidential information.

## Reputational risks

### Examples

- People think the corporation does not respect traditional way.
- People do not trust that the corporation will do the things in its agreements.
- People think directors do governance the wrong way.
- The corporation does not have a good money story.



# Managing risks

Managing risks is planning for what to do if the risks happen. You have to think about risks so you can do these things.



Stop the problem from happening.



Fix the problem, if it happens.



Make it a bit better until you can fix it later.

## Example of managing risks when driving a car



## Managing risks in a corporation

The board has to know the risks for the corporation. Then, they can plan. They need to think about how each risk might change things for the corporation.

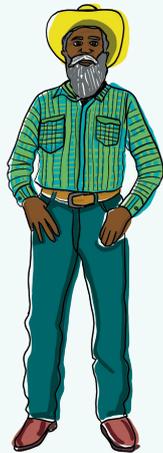


Our corporation takes tourists out on country. We made plans for all the risks. Like not having enough food and water, the bus breaking down, or people getting sick on the tour.

Some risks we can stop from happening. We can take extra food and water. We can keep the bus working well.

Other risks we cannot stop. We cannot stop someone getting sick. But we can plan for what to do if that happens.





We run a cattle station.  
There are many risks.

If we get no rain for a long  
time, the cattle will not have  
enough water or feed.

People might steal our cattle  
or take killers.

Cattle might get a disease  
that makes us close our  
station.

We might run out of money.

We cannot always stop bad things from happening. But we can plan for them.

We have bores so there is always water for the cattle.

We look after our fences and gates.  
We keep good friends with the local community.

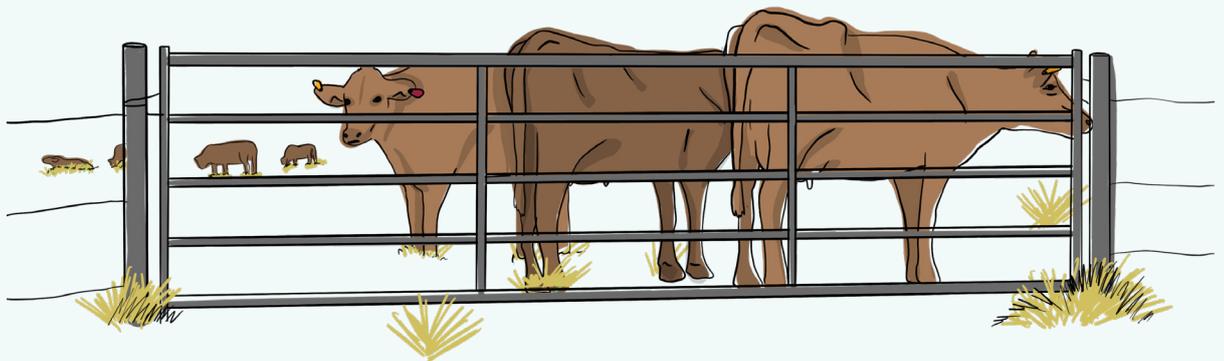
We get the vet if we think the cattle are sick. We keep the sick cattle in a separate yard.

We check the money story at every directors' meeting. We bring money experts to check our money papers.



The corporation needs to have a plan for all the risks.

If the corporation does not have a plan, even a small problem can grow into a big problem.





# How to manage risks

## 1. Decide what the risks are

Directors and staff need to talk about all the things that might go wrong for the corporation. They make a list of all the risks.

### Example of risk management for a community store

1

What is the risk?

**flooding**

The roads are blocked.  
The truck cannot bring food to the community.



## 2. Check how likely the risk is

likely

The risk always happens.

possible

The risk might happen.

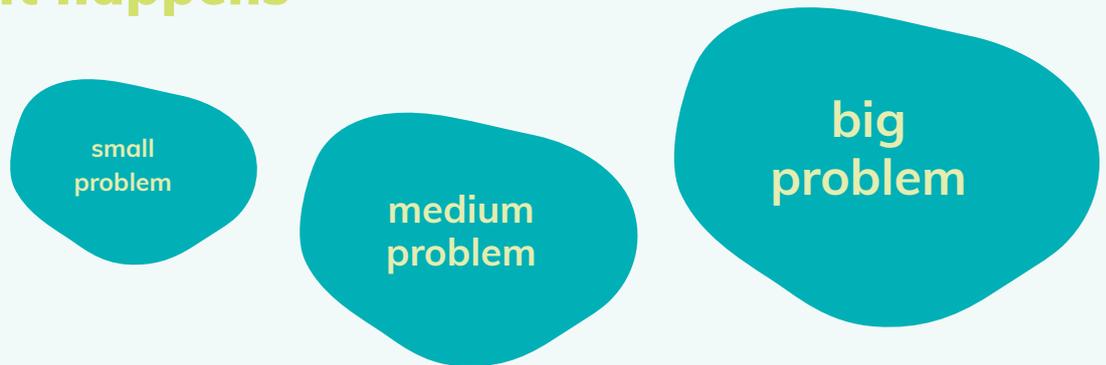
unlikely

The risk can happen, but you do not think it will.

### Example of risk management for a community store



### 3. Check how big the problem will be if it happens



Ask questions like these to decide if the problem is small, medium or big.

- Will the corporation lose a little bit of money?
- Will the corporation lose a lot of money?
- Will someone get a little bit hurt?
- Will someone get hurt a lot?
- Will the corporation have to close?
- Will someone go to jail?

#### Example of risk management for a community store



## 4. Rate the risks

Rating risks means deciding how important every risk is.

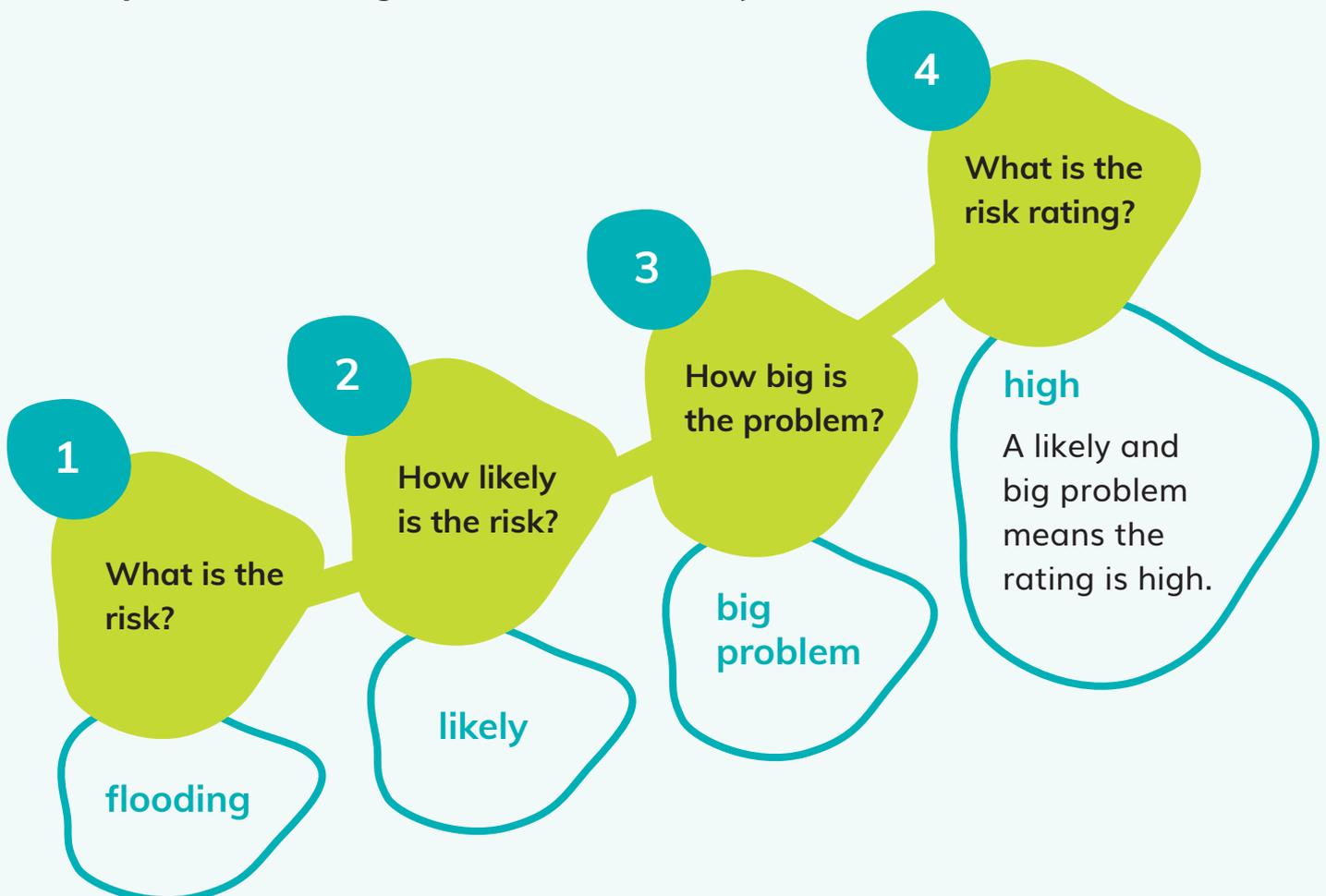
The corporation rates the risks to decide:

- what risks to work on first
- how much money to spend on stopping or fixing risks.

		How big will the problem be?		
		Small	Medium	Big
How likely is the risk?	Likely	medium	high	high
	Possible	low	medium	high
	Unlikely	low	low	medium

Medium means in between.

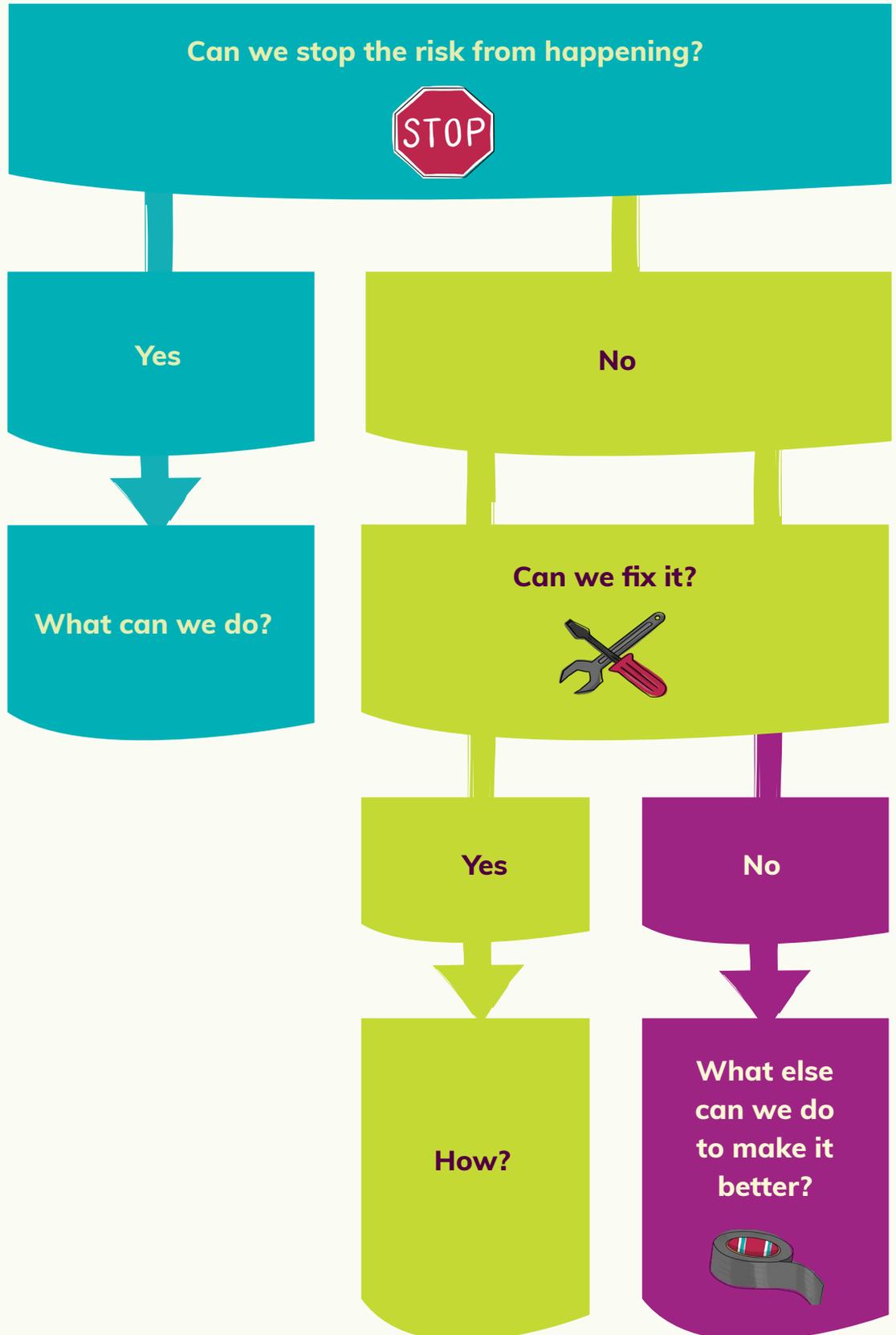
### Example of risk management for a community store



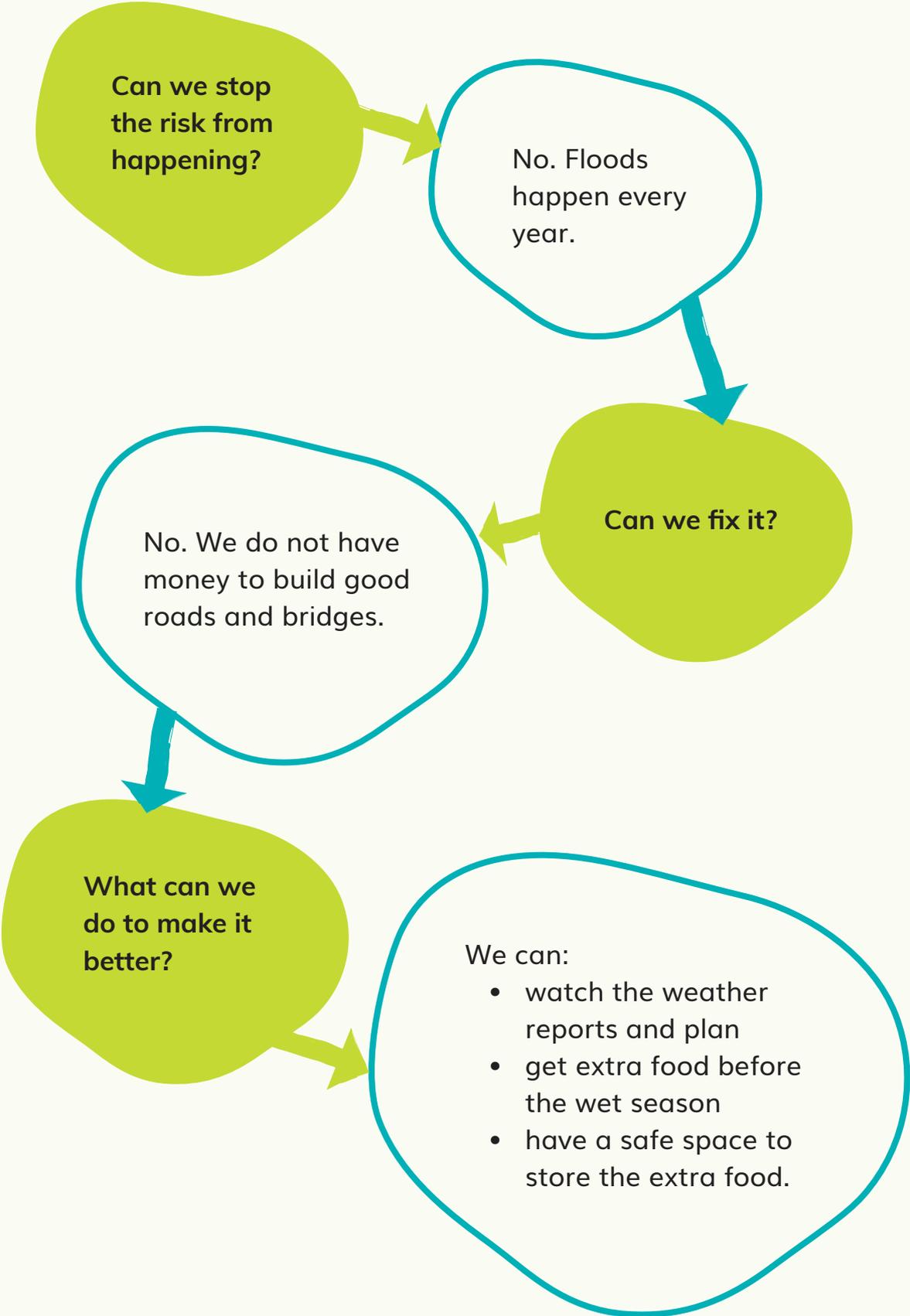


## Risk plan

When the corporation knows what the risks are, it can plan for them.



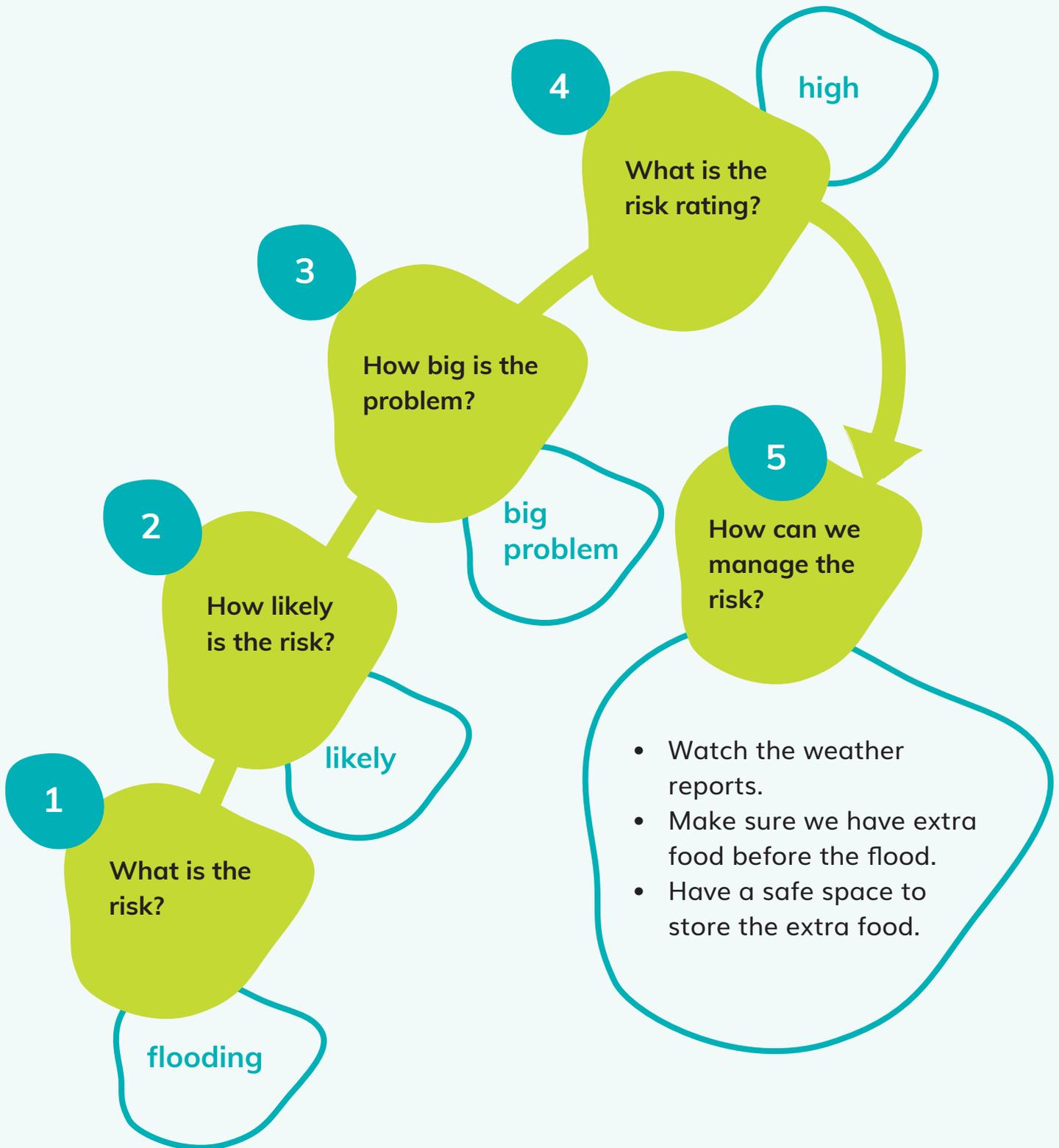
Example of a risk plan for a community store in the wet season



## Questions to ask about risks



## Example of risk management for a community store





## Example: Planning for risks in a shop

Every corporation has risks. Different corporations have different risks.



These are some ways a shop might plan for different risks.



Stop the problem from happening.



Fix the problem, if it happens.



Make it a bit better until you can fix it later.

It is good to manage every risk. But first, the corporation has to manage all the risks that are rated high.

### Risk: The shop runs out of food



Stocktake – this is counting everything for sale.  
Order stock every week.  
Order extra stock for special events.  
Order extra food before the rain starts.



Work with other community stores.  
Get a helicopter to bring extra food.



Decide how much one person can buy, so everyone can get some food.

### Risk: There are not enough workers



Look after workers.  
Train workers.  
Have extra casual workers.



Hire more workers.



Everyone works extra hours.  
Make opening hours shorter.

### Risk: The power goes out



The corporation cannot stop the power going out.



Have a backup generator ready.  
Keep fuel for the generator.  
Call the power company to fix the power.



Have torches ready.  
Be ready to only sell for cash.  
Close the shop.

## Insurance

The corporation pays money to a company every year. Then, if something goes wrong, that company helps pay for the big costs. This is called insurance.



We have insurance for our tour bus.

Last year, our bus hit a kangaroo. We had to buy a new bus.

The insurance company paid for the new bus.



## Some ways to manage risks

-  **Make risk management plans** Keep a list of all the risks and their ratings. Then, make a plan for each risk.
-  **Make policies and procedures** Policies and procedures tell people in the corporation how to stop risks, fix problems or make problems better when they happen.
-  **Keep records safe** Records tell the story about what has happened. They help the corporation plan for what needs to happen.
-  **Make sure the corporation is compliant** The board has to make sure the corporation follows all the laws and rules. It also has to check that the corporation has all the right papers, like licences and qualifications, to do its work.
-  **Have the right insurance** The corporation can get insurance for different types of risks.
-  **Make a risk committee** The board can make a smaller group to talk about risk management.
-  **Do training** Directors and staff have the right training for their job.
-  **Have a good budget** The corporation needs to have a money plan. It says what money the corporation plans to get and how it will spend the money.
-  **Check risk management plans** Directors and staff need to keep talking about risk. They need to keep finding ways to do things better.



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