



**Victorian  
Public Sector  
Commission**



# Managing public entity risks scenario

**Learn what steps departments and public entities can take to discuss public entity risks.**

## How to use this scenario

This scenario is for employees who work in departments and public entities.

This scenario is about a public entity with a direct relationship with the minister.

It will help you explore what to do when a public entity identifies a significant risk.

The legislation that establishes a public entity informs what protocols they use to raise risks.

Either as a group or on your own:

1. Read the scenario and result
2. Use the discussion questions to analyse what could be done differently in the scenario.
3. After discussing, check the advice under each question to see the preferred course of action.

## People involved in this scenario

- Public entity executive

- Department director (a key relationship manager)
- Chief Executive Officer
- Minister
- Ministerial adviser

## The scenario

A public entity executive identifies a significant risk:

- There is a workforce shortage that means services won't meet their agreed performance targets next year.

To mitigate the risk, the executive develops a strategy:

- They'll need to increase recruitment above planned expenditure to meet their performance targets.

The public entity executive wants to inform the minister of the risk and strategy — but not as a matter of urgency.

The public entity executive and department director discuss the matter at their regular fortnightly meeting.

The department director disagrees with the public entity executive's strategy and tells them they have another strategy in place:

- The department is considering moving employees from one part of government to another to meet the workforce shortage.

As they see it as very sensitive, the department director chooses not to share the strategy with the public entity executive.

The department director closes the meeting with no agreed actions.

The public entity executive escalates the matter to the CEO, telling them:

- They advised the department of their strategy but the department didn't agree with it.

The CEO says they can't resolve the issue, as they have no access to a senior decision-maker in the department.

## The result

The public entity doesn't talk with the department again and briefs the minister about the risk and their proposed mitigation strategy.

The brief doesn't mention the department's proposed strategy raised by the director in the fortnightly meeting.

The ministerial adviser is vaguely aware that the department has already informed the minister of some work they're doing on this same risk.

The ministerial adviser confirms this with the department and asks the department to resolve the matter with the public entity.

This confusion causes the minister's office and the minister to believe:

- the department and public entity don't work well together
- they can't trust the quality of advice from either source.

## Discussion questions

Use these questions to self-reflect or guide discussions in your team:

- What steps can public sector leaders put in place to prevent this scenario from occurring?
- What do you think contributes to the department and public entity taking this course of action?
- What is the appropriate level of seniority to resolve these issues in your portfolio governance relationship?

## Preferred course of action

Open allClose all

## What should have happened instead?

If the key relationship manager and entity executives had talked after the meeting, they could have:

- dealt with the matter between the department and public entity
- presented the matter to the minister's office with joint advice and recommendations, or separate briefs that include analysis of both strategies.

Clear oversight and communication protocols would have benefited the public entity and department.

For example, the public entity could have:

- identified which senior leaders it could contact to discuss matters
- had regular communication with these senior leaders and escalated the matter within the department, before involving the minister's office
- asked the department if they wanted to work together on a proposed solution or to brief the minister in parallel, once the public entity had decided to brief the minister.

## What are some further things to consider?

Departments should keep in mind that:

- public entities have their own level of independence and legal responsibilities
- in most circumstances they can't control how public entities perform their functions
- secretaries of departments are obliged to advise the minister on matters relating to public entities and their functions.

Public entities should keep in mind that:

- they must inform the minister and the secretary of known major risks to the operation of the public entity as per section 81 of the [Public Administration Act 2004](#).

To help strengthen the governance of the relationship and stop these situations from occurring, departments and public entities should:

- ensure a 'no surprises' agreement is in place, in both directions
- consider a memorandum of understanding or statement of expectations
- work together to ensure the public sector works effectively for the Victorian community.

Public sector employees should demonstrate the values of:

- accountability by working to clear objectives in a transparent way
- respect for colleagues, other public officials and the Victorian community.