# Council-Wide Risk Management

An Independent Study of Risk Management
Practices in NSW Local Government

Report 2014/2015

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# Introduction

## Background

It has been eight years since our inaugural Council-Wide Risk Management (CWRM) report in 2006. Our first, ground breaking survey concluded that whilst NSW councils had some forms of risk management systems and processes in place, most councils' risk management efforts heavily focused on insurable risk areas. The 2006 survey also highlighted that many councils had not identified all their major risks and the majority felt their risk management frameworks needed improvement.

In our 2007 CWRM report the following year, we looked deeper into business continuity management and risk management maturity. Again we identified room for improvement.

Before we look at how far NSW councils have come since 2007, lets revisit some key events that have effected the local government landscape in recent years.

- **Investment losses:** In 2008, the Global Financial Crisis had a direct impact on several councils. An independent review of council investments in 2008 found that NSW councils faced potential losses of $320 million, of which $200 million related to Collateralised Debt Obligations (CDOs). In 2013, a report by the Division of Local Government found that a number of NSW Councils lost $160 million in CDO's and a further $32 million in capital protected products.

- **Fraud and corruption**: There were 11 cases investigated by the Independent Commissions Against Corruption (ICAC) involving NSW councils. From these investigations, ICAC made corrupt conduct findings against former and/or current staff and officials from around 20 councils.

- **Business continuity**: A number of councils have experienced business disruption events including cyber attacks. The most notable disruption was experienced by Liverpool City Council whose administration building was destroyed by fire in August 2010.

- **Financial sustainability:** In 2013, a TCorp report found the majority of NSW councils were in deficit and that between 2009-12 the cumulative operating deficits for all councils was about $1 billion.

- **Infrastructure Audit:** In 2013 the Division of Local Government published the results of an audit of local government infrastructure which estimated that the accumulated maintenance and renewal backlog was in the order of $7.4bn.

- **Local Government Reform:** In late 2011 councils from throughout NSW came together for Destination 2036 to discuss their long term future. The result was a vision for Local Government and an action plan to guide the process of change. This led to the Independent Review of Local Government, a review of the Local Government Act and ultimately the State Government's Fit for the Future strategy which includes incentives for councils to merge and/or share resources.

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## About this survey

The survey objective was to evaluate the progress NSW Councils have made with respect to the areas of risk management, business continuity and internal audit compared to our previous surveys.

Our 2014/2015 CWRM study consisted of around 30 questions in a self assessment format. The survey request was mailed to the General Managers of all 152 NSW councils.

The survey period was open for 10 weeks between July 2014 and September 2014.

We received and analysed a total of 82 completed responses. This provided us with a 54% response rate.

23 councils were from the Sydney metropolitan area and 59 councils were from regional NSW.

The survey responses were completed by people involved in co-coordinating risk management processes, internal audit or responsible for the oversight of risk management & governance activities.

## Acknowledgements

InConsult would like to thank all the general managers, risk managers, internal auditors and governance managers from the participating councils who completed the survey. Your honesty and support is a testimony to your commitment to advancing council-wide risk management thinking in local government.

## Why we conducted the survey

InConsult is committed to helping clients improve their risk management, business continuity and internal audit systems and processes. By undertaking specific research into local government, we can gain insight into the various practices and share knowledge with the wider local government community.

Through this study and other initiatives, we will continue to promote the important roles of the risk manager, internal auditor and governance manager as change agents, lateral thinkers and advisers to councillors and management. We will also continue to highlight the challenges faced by these professionals and play an advocacy role with key stakeholders.

Again, our detailed 2014/2015 CWRM report goes beyond simply identifying gaps and the key challenges. We offer insight, valuable tips and suggestions to help all councils improve.

# Key Findings

## Risk Management

Councils have continued to improve, strengthen and formalise their risk management policies, systems and processes.

- 70% now have a formal risk management strategy or plan, a significant increase since our first survey in 2006.  77% of the councils that have not formalised their approach to risk management intend to do so in the next 12 months.

- 50% of councils have not formally documented their risk taking attitudes and tolerances.

- Lack of time and resources was the biggest challenge faced by councils when implementing risk management frameworks.

- 35% have yet to formally assess their council's strategic risks whilst 68% of councils assess project risks or risks from new initiatives only 'sometimes'.

- 70% of councils now maintain a formal risk register, a significant increase from our 2006 survey.  In most cases (46%), risk registers were kept in either Word or spreadsheet format.  The most common risk review frequency was quarterly (29%).

- In terms of risk management maturity, 65% believe they are still in the 'developing' stage and only 25% felt they were 'proficient'.

- The risks that councils felt they managed best were Workplace Health & Safety risks, financial risks and public liability & legal risks.  Councils felt reputational risks, political risks and business disruption risks could be better managed.

- The top 5 risks facing NSW local government included – financial stability, infrastructure deterioration, workforce risks, amalgamations and compliance breaches.

- The most common benefit realised from risk management was an improvement in the ability of council to achieve its objectives.

## Business Continuity

- 80% of councils surveyed had a business continuity plan covering the administration center.

- Just 45% of councils were more positive than neutral about their confidence in their business continuity plans

- Around 58% of councils had reviewed their business continuity plans in the last 12 months. Over a quarter had not reviewed their plans for over 2 years.

- Only 28% of councils exercised or tested their business continuity plans in the last 12 months.

## Internal Audit

- The number of NSW councils with an audit committee has doubled since 2006. Today, 79% of councils have established an audit committee.

- The number of NSW councils with an internal audit function has increased by 23% since our 2006 survey.

- There is no sense of urgency for those councils without an internal audit function to establish an audit committee or an internal audit function with around 50% undecided as to their future intentions.

- 35% of councils are conducting audits without a strategic audit plan. For the 65% who have a strategic audit plan, 48% have not adequately aligned the plan to the organisation's key risks.

- Only 44% of councils felt that the benefits that internal audit had delivered were on the positive side of neutral.

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# Risk Management

## Councils with risk management policies

In 2006 around 81% of councils had adopted a formal risk management policy. This percentage grew slightly to 84% in 2014. This indicates that most councils have an adopted risk management policy to help formally mandate council's commitment to sound risk management practices.

Adopting a formal risk management policy is an important foundation of an effective risk management framework and is a key requirement of the ISO 31000 risk management standard. A good risk management policy should be brief and establish a clear mandate and commitment for managing risk across the organisation.

## Councils with risk management plans/strategies

A risk management plan/strategy is a crucial document that outlines how council intends to go about implementing, monitoring and improving its risk management framework. It also typically outlines the tools and processes to be used in identifying, analysing and managing risks across the organisation.

In 2006 around 50% of councils indicated that they had a formal risk management plan or strategy. This figure has grown significantly to 70% in 2014. This is a very positive result which indicates that a growing number of councils have recognised the need to clearly document their approach to risk management.

*Councils with*
*Risk Management Policies & Plans*



| | 2006 |
| | 2014 |

Risk Management Policy — 81% (2006), 84% (2014)
Risk Management Strategy — 50% (2006), 70% (2014)
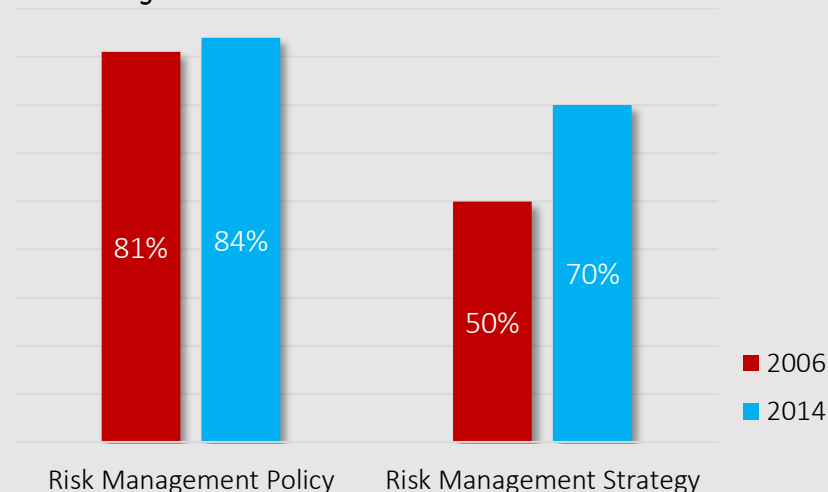
## Risk management responsibility

Whilst managing risk is the responsibility of everyone within the organisation, it is important that someone is allocated clear responsibility for overseeing the implementation of the risk management framework.

Not surprisingly the Risk Manager or a Risk Management Officer is most often charged with responsibility for overseeing the implementation of the risk management plan (58%). The Governance Manager was the next most common response (14%).

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## Formal risk management committee

A risk management committee can play an important role in ensuring effective oversight of the implementation of a council's risk management framework.

In 2006 approximately 44% of councils had a risk management committee that was separate to the audit committee. In 2014 this percentage remained relatively stable at 46%. This is most likely a result of the growth in the number of councils with audit committees that have taken on a risk management oversight role. When an effective audit committee is in place, having a separate risk management committee is often not seen as necessary.

### Councils with separate risk management committees



- 46% Separate RM Committee
- 54% No Separate RM Committee
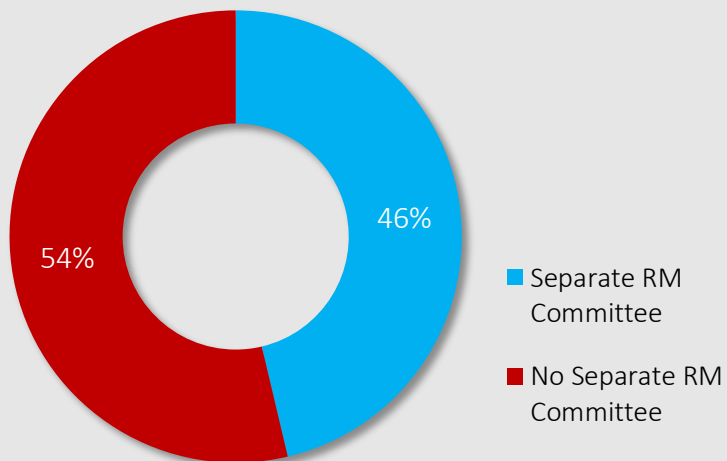
## Documented risk appetite or tolerance

Risk appetite is effectively the amount of risk that a council is prepared to accept in pursuit of its objectives.

In 2006 only 31% of councils had formally documented their risk appetite. This figure has grown to 50% in 2014.

Whilst this is an improvement, it still shows that more needs to be done in this area.

Documenting and articulating risk appetite in a statement is important as it sends a clear message to decision makers and risk owners across the organisation about the boundaries of acceptable risk taking.

### Councils with risk appetite statements



31% — 2006
50% — 2014

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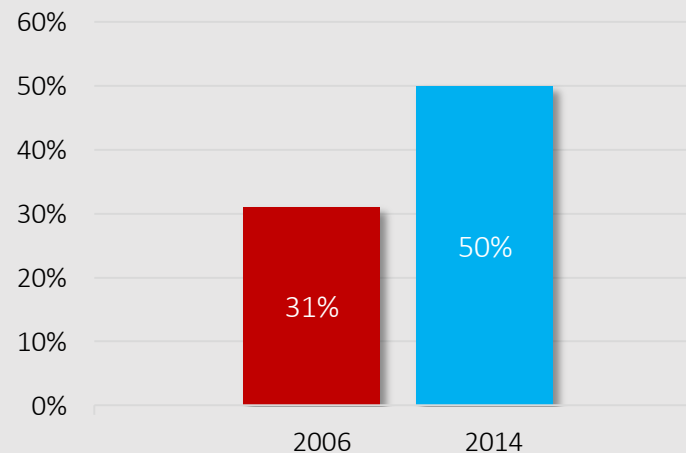
## Formal assessment of strategic risks

Strategic risks are those future uncertainties that have the potential to significantly impact the core objectives of the organisation. It is important to identify and monitor these risks given their potential consequences.

Whilst 65% of councils have undertaken a formal assessment of these risks, more than a third of councils have not. This would also appear to be an area of risk management requiring further attention especially given the uncertainty surrounding local government reform and the financial sustainability of councils.
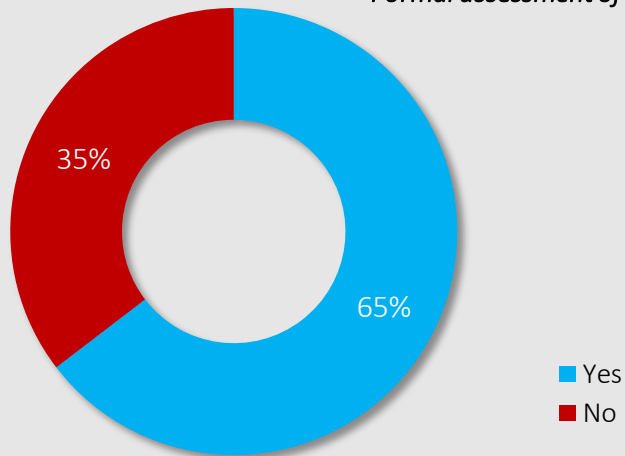
## Formal assessment of major projects or new initiatives

Only 29% of councils indicated that they always conduct a formal risk assessment for major projects or new initiatives. These projects are often complex and expose the council to significant financial, reputational and other risks. There have been a number of high profile failures of various major projects in local government in recent years with significant consequences.

The lack of formal, documented risk assessments in this area is a major concern.

*Formal assessment of strategic risks*

35%

65%

■ Yes
■ No

*Major project risk assessments*

3%

29%

68%

■ Always
■ Sometimes
■ Never

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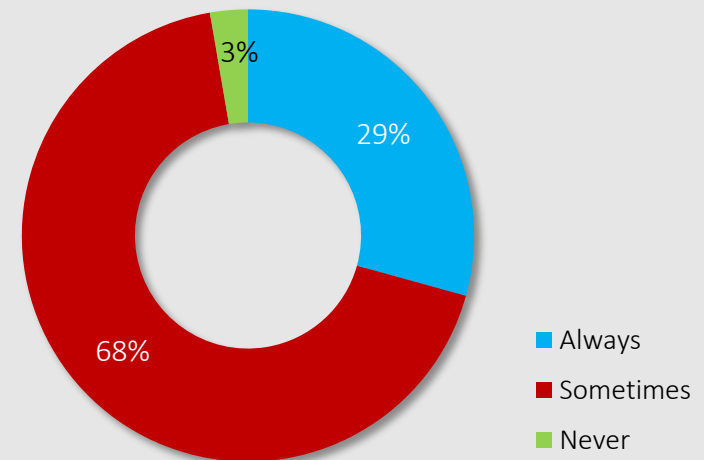
## Formal risk register

Documenting risks in a formal risk register is important not only to demonstrate to stakeholders that risks are being identified and managed in a systematic way but also to enhance the organisation's ability to review and monitor risks over time. The risk register is the 'brain' of the risk management framework where years of corporate knowledge should reside. Ongoing review and update is critical to ensure that the organisation's risk profile is continuously evaluated against its risk appetite and action plans are developed to treat new risks.

Nearly 70% of councils indicated that they have documented their risks in a formal risk register which is a significant increase (from 43%) since 2006.

*Councils with formal risk registers*
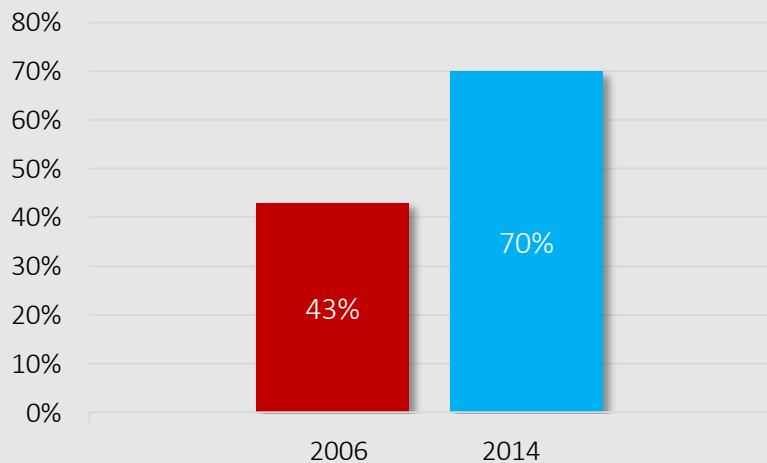


## Types of risks that are best managed

Councils generally felt that all categories of risks were being managed to a level that was on the positive side of neutral, in other words, well.

The survey revealed that work health and safety, financial and legal risks were the best managed. This is not surprising given the stringent legislative obligations for management of these risk areas, WHS risks in particular.

Business disruption risks was rated as being least well managed which is supported by answers to later questions regarding business continuity management.

*How well are risks being managed*
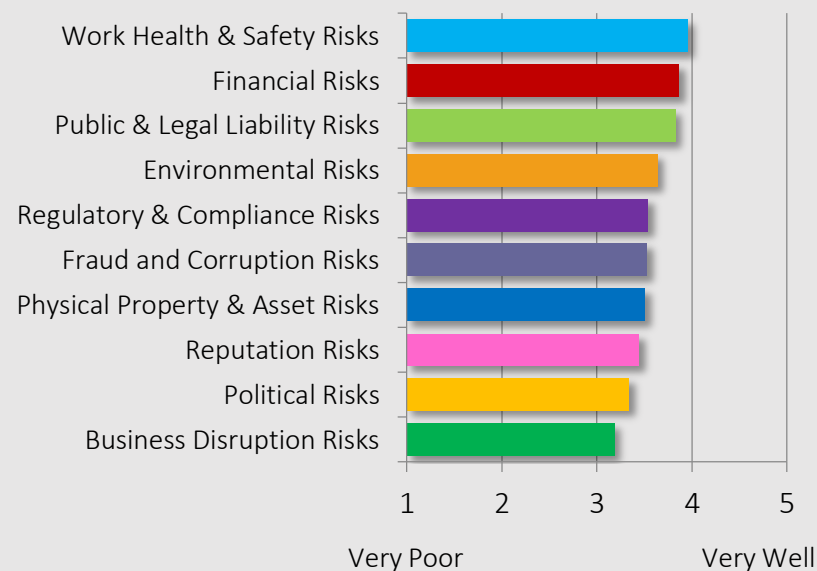
## Frequency of risk register review

A common situation in many organisations is that the risk register is not reviewed on a regular basis. This results in the information contained in the register quickly becoming outdated and meaningless.

Encouragingly the survey revealed that over 74% of councils review their risk registers at least annually. Compared to the results of the 2006 survey, the percentage of councils reviewing their registers at least quarterly has increased significantly (7% to 29%). This may be due to greater alignment between risk management processes and the integrated planning and reporting framework which requires quarterly review of operational plans and budgets. If this is the case then this is a positive development as it shows a level of integration of risk management into key organisational decision making processes.
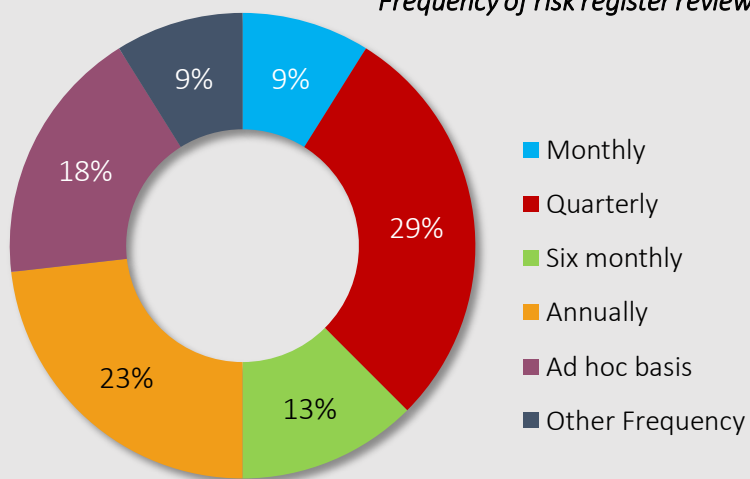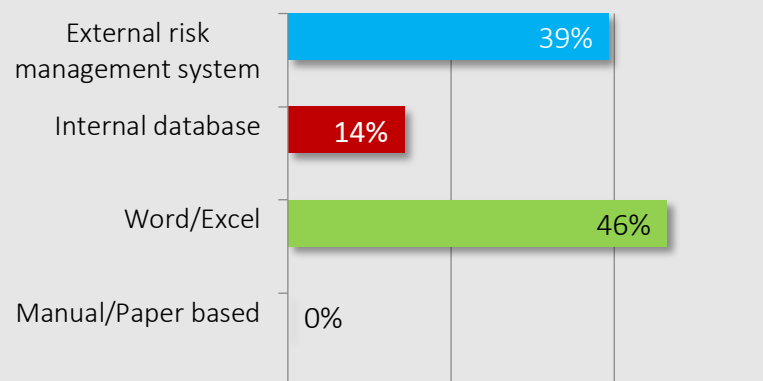
## Form of risk register

It is one thing having a risk register but it is another having it in a form that allows ease of access, ongoing monitoring and meaningful analysis.

The most popular form of risk register was a spreadsheet or word document (46%). Whilst this is not surprising, and whilst these formats are the simplest to establish, the ability to interrogate and analyse risk data stored in these formats is limited.

A 2011 survey by the Risk and Insurance Management Society also identified that spreadsheets were the most extensively used tools (60%) to uncover and assess risk by risk managers.

### Frequency of risk register reviews

- Monthly — 9%
- Quarterly — 29%
- Six monthly — 13%
- Annually — 23%
- Ad hoc basis — 18%
- Other Frequency — 9%

### Risk register format

- External risk management system — 39%
- Internal database — 14%
- Word/Excel — 46%
- Manual/Paper based — 0%

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# Risk management maturity

A risk management maturity assessment enables councils to asses where they are at and benchmark themselves against others. It also enables councils to identify the activities and characteristics of each stage of maturity and take steps towards improvement.

Our survey asked councils to assess themselves against 4 levels of maturity – basic, developing, proficient or advanced.

| Basic | Developing | Proficient | Advanced |
|---|---|---|---|
| Minimalist context | Major/key risk context only | Key activities and processes context | Enterprise-wide context |
| Ad-hoc processes | Move towards good industry practice | Achieve industry good practice | Well beyond industry practices |
| No management commitment | Some management commitment | Management committed | Proactive management |
| Informal processes | Standardised processes | Customised processes | Integrated and aligned processes |
| Reactive responses | Some inconsistencies | Routinely applied | Calculated risk taking |
| Little risk analysis | Some qualitative risk analysis | Qualitative and quantitative risk analysis | State of the art tools & technology |
| Risk averse culture | Some loss prevention | High operational risk focus | Strategic risk focus |
| Very high reliance on insurance | Calculated reliance on insurance | Dedicated resources | Scenario modelling and what-if analysis |
| No dedicated resource | Operational risk focus | Use insurance for higher risk exposures | Risk-based KPI's built into accountabilities |
| Meet minimum regulatory requirements | | | |

The results show that a slightly higher percentage of councils than in 2007 (3%) believe that their risk management maturity is Proficient. For the first time some councils (1.3%) rated their maturity as Advanced. The percentage of councils who rated their maturity as Basic has declined from 13% to 8% whilst the percentage at a Developing level has remained relatively static at around 65%.

This indicates that whilst there has been some growth in risk management maturity, the majority of councils still rate themselves as Developing. This is despite the significant increase in councils who have now formally documented their risk management framework. This is a key finding and highlights that there is still much to be done to ensure that risk management frameworks are appropriate to the needs of the organisation and contribute positively to the achievement of organisational objectives.

*Level of risk management maturity*



- Basic 8%
- Developing 65%
- Proficient 25%
- Advanced 1%
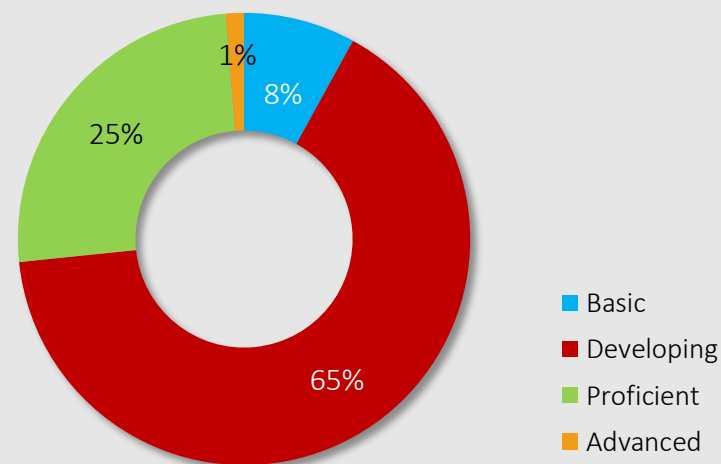
## Benefits of formalising risk management framework

In many cases respondents were neutral on the question of whether formalising a risk management framework had led to improved organisational outcomes.

This indicates that either risk management practices are not being implemented in an effective manner or that there is no clear linkage (actual or perceived) between effective risk management and organisational improvement. This may be because the benefits of effective risk management are often difficult to measure (it is easy to measure the cost of something that went wrong but how do you measure the benefit of things that actually go to plan).

Interestingly, improved likelihood of achieving objectives was seen as the most positive outcome of having formalised the risk management framework whilst improved organisational effectiveness and efficiency was seen as the least positive outcome. This may be an indication that risk management is still seen as adding bureaucracy and reducing efficiency.

*Benefits of a formal risk management framework*

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## Five biggest risks

Our 2006 CWRM survey highlighted that councils were heavily focused on insurable risks such as WHS and public liability.  So where are councils focusing now?  Councils were asked to list the 5 biggest risks that they faced over the next 1 to 4 years.

**1** Financial sustainability was most commonly rated as the number one risk facing councils.  Financial sustainability was rated 16 times as the number 1 risk and 46 times in total. This is not a surprise given the issues raised by TCorp in 2013 where two-thirds of NSW councils were found to be operating in the red, running combined deficits exceeding $400 million.
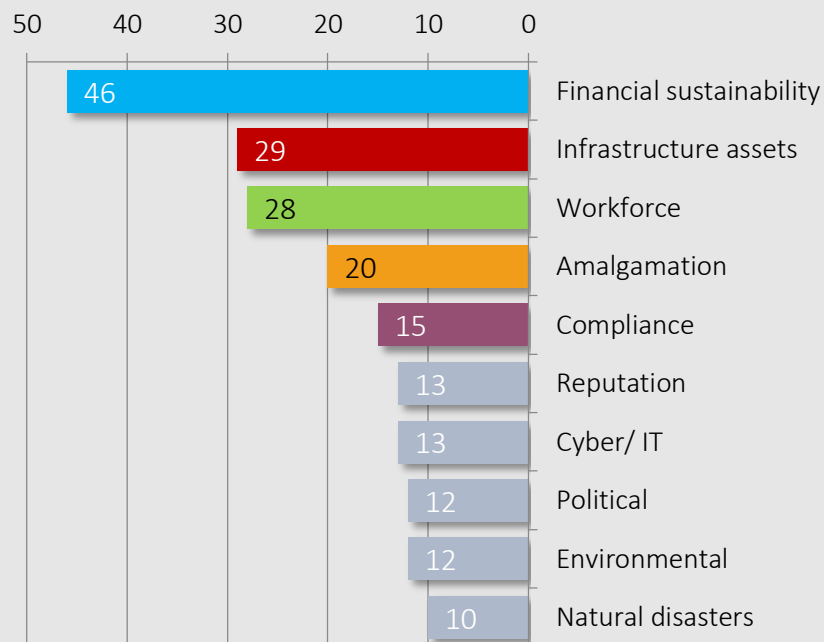
**2** Local government is responsible for building and maintaining a significant amount of infrastructure that includes roads, paths, drains, playgrounds, buildings, bridges, airports and water and sewerage treatment plants.  In this context, infrastructure & asset related risks was the second highest rated by councils. Ageing infrastructure, inadequate maintenance of assets, unfunded asset maintenance and infrastructure decline where common risk descriptions.

**3** Workforce related risks was the third highest risk area. These risks included loss of skilled staff, skills shortages, inability to attract and retain staff and loss of corporate knowledge which reflects well publicised concerns regarding an ageing local government workforce.

*Frequency of risk in top 5 risks*

| Risk | Frequency |
|------|-----------|
| Financial sustainability | 46 |
| Infrastructure assets | 29 |
| Workforce | 28 |
| Amalgamation | 20 |
| Compliance | 15 |
| Reputation | 13 |
| Cyber/ IT | 13 |
| Political | 12 |
| Environmental | 12 |
| Natural disasters | 10 |

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**4** **Amalgamations** arising from local government reforms was rated at number 4. This result is not surprising given the media focus on amalgamations in recent times and the fact that the NSW Government's response to the report of the Local Government Review Panel (Fit For The Future) was released during the survey period.

**5** Given the highly regulated landscape covering planning, WHS and environmental activities, **compliance** risk also rated highly slightly nudging technological risks, political risks, environmental risks and reputational risks out of the top 5.

The top 5 risks identified in this survey demonstrate a greater focus by councils on non-insurable risks and hence (arguably) a higher level of risk management maturity.

Interestingly, Workplace Health & Safety, fraud & corruption, business continuity and climate change risks were each only mentioned 3 to 5 times as a top 5 risk in our consolidated results of 75 responses to this question.

*Word Cloud highlighting the most frequently repeated words in the top 5 risks ***



*\* Created by Wordle*

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## The biggest challenges when implementing a formal risk management framework

What were the biggest challenges when implementing a formal risk management framework? Of concern is the fact that lack of time/ resources was the major challenge. This may be a reflection of the increasing pressures on councils generally to deliver an increasing volume of services without a commensurate increase in resources.

Getting commitment from management and staff was also a major challenge again probably reflecting the perception that the benefits of good risk management are somewhat offset by reduced efficiency. The level of commitment from management and staff may also be a reflection of time and resource pressures across the organisation.

## Timeframes toward implementing a more formal risk management strategy and framework

Of the 30% of councils who have yet to implement a formal risk management strategy and framework, it was encouraging to see that around 77% intend to do so within the next 12 months.

Given that the biggest challenge when implementing a formal risk management framework was lack of time and resources, councils who are looking to formalise risk management should ensure the risk management function is adequately resourced.

*Risk management implementation challenges*



*Timeframe for implementing
a more formal risk management approach*
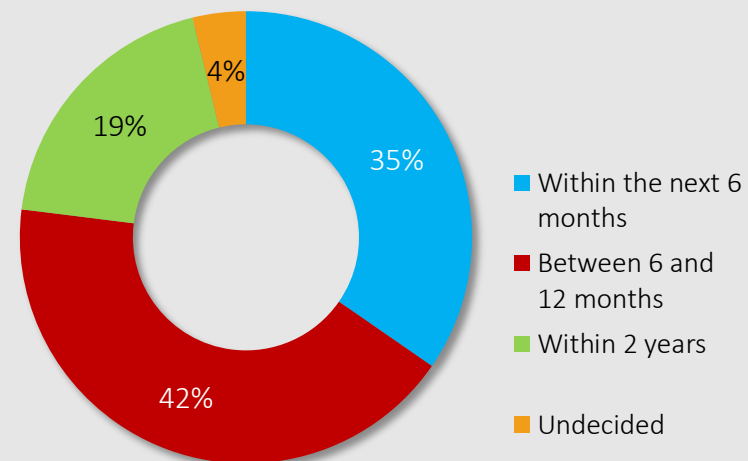
# Business Continuity Management

## Councils with business continuity plans

A Business Continuity Plan (BCP) is designed to minimise the impact of risk events involving long term service disruptions to critical business functions. These are caused by a loss (or unavailability) of key dependencies such as buildings, key staff, information and communication technology or key suppliers.

80% of councils are concerned enough about business disruption risks to at least have a BCP in place for their Administration Centre compared to 52% in 2007. This may well be a product of high profile council disasters such as the building fires experienced by Bankstown and Liverpool councils.

*BCP in place for Admin Centre*



- Yes
- No
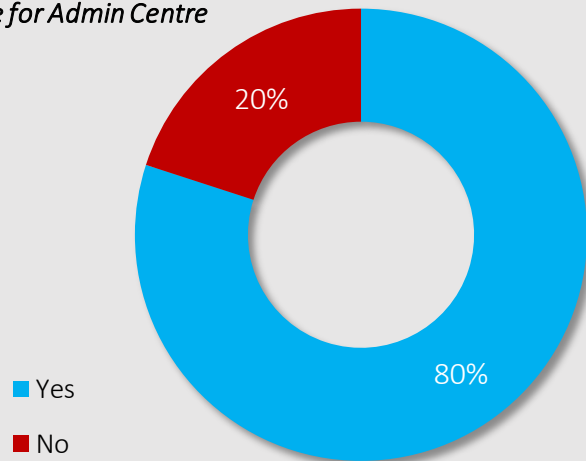
## Confidence in business continuity plan

Of course it is one thing to have a BCP, it is another to feel confident that it would serve council well in the event of an actual disaster. The worst time to identify major weaknesses in a BCP is when you need it most…during a crisis.

The survey indicates that only 45% of respondents were more positive than neutral about the likely usefulness of their BCPs.

20% of respondents answered on the negative side of neutral implying that there is little to no confidence in their BCPs.

*Level of confidence in BCP*



- Not confident at all
- Slightly confident
- Reasonably confident
- Mostly confident
- Very confident

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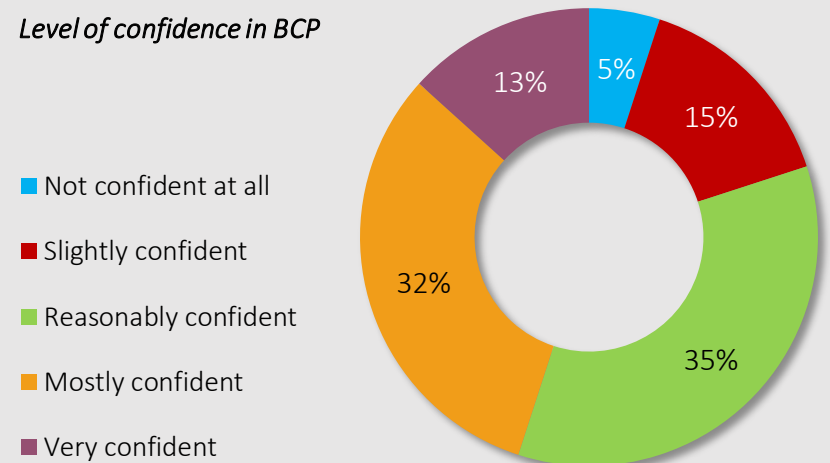
## Review of business continuity plan

The reason for the lack of confidence in existing BCPs may be explained by the fact that around 42% of councils have not reviewed their plan within the last 12 months with a concerning 28% stating that their last review was over two years ago.

Business continuity management best practice requires regular, scheduled reviews of business continuity plans including any appendices and sup-plans.
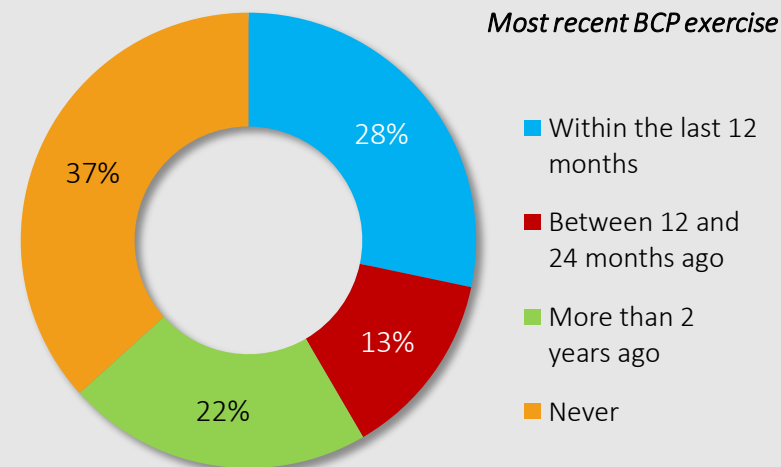
Given the almost constant changes that councils experience in regards to functions, services, personnel and other resources, regular review of the BCP is critical.
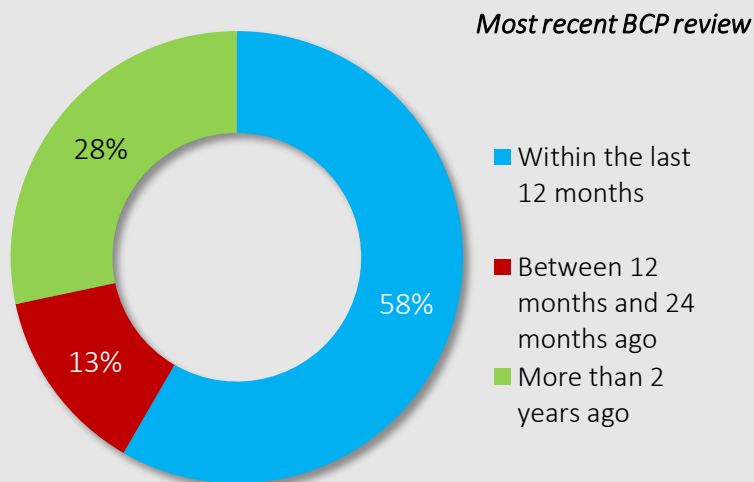
## Exercising the business continuity plan

Our 2007 survey revealed that 81% of councils tested their plans at least annually. This has reduced significantly in 2014. We found 35% of councils had not tested their BCP within the last 12 months and 37% had not tested their plans at all…this explains the lack of confidence in existing BCPs.

An organisation can have the best written BCP in the world, but you can never be sure of whether it will be adequate until you put it into practice. In the absence of a real life disruption scenario, regular exercising and testing is critical in assessing the likely effectiveness of the plan and ensuring that the organisation is ready to respond to a crisis situation.

*Most recent BCP review*

28%

58%

13%

- Within the last 12 months
- Between 12 months and 24 months ago
- More than 2 years ago

*Most recent BCP exercise*

28%

37%

13%

22%

- Within the last 12 months
- Between 12 and 24 months ago
- More than 2 years ago
- Never
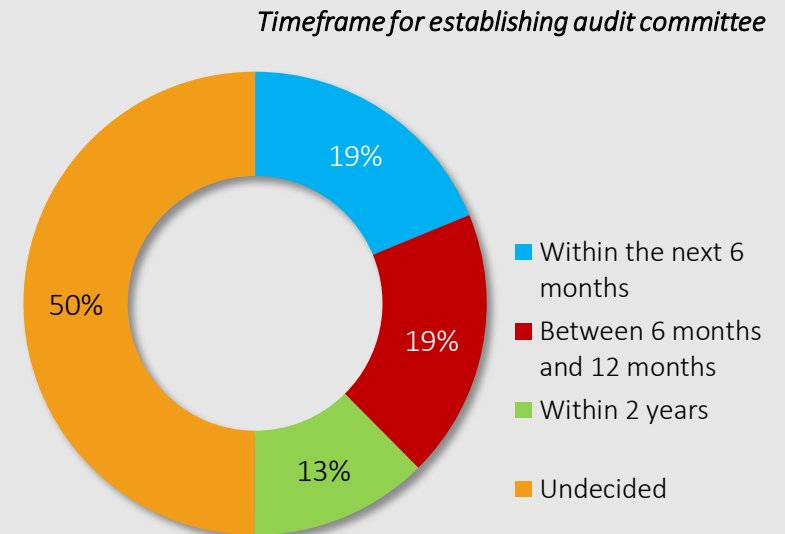
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# Internal Audit

## Audit committee

The release of the Division of Local Government's Internal Audit Guidelines in 2008 and the updated version in 2010, appears to have spurred a significant increase in the number of councils that have established an audit committee. According to our 2006 survey only 38% of councils had established an audit committee at that time. By 2014 this figure had grown significanty to 79%. These numbers are encouraging but still indicate that there are a number of councils that do not currently have an audit committee.

Council's without audit committees were mostly smaller rural councils although two councils were located in Sydney and two in larger regional centres.

*Councils with audit committees*



- 21%
- 79%
- Yes
- No
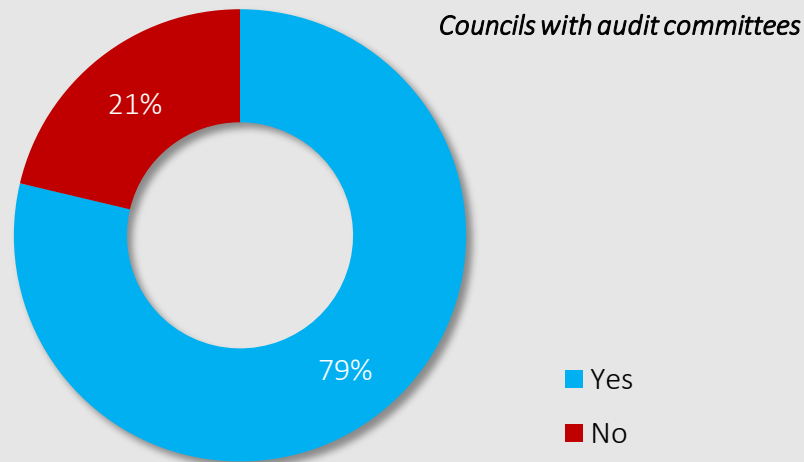
## Timeframes for establishing an audit committee

Of the councils that do not currently have an audit committee, only half indicated that they envisaged establishing one within the next two years. Given that these councils are generally smaller rural councils it may highlight the need for more cost effective options such as sharing of audit committees.

*Timeframe for establishing audit committee*



- 19%
- 19%
- 13%
- 50%
- Within the next 6 months
- Between 6 months and 12 months
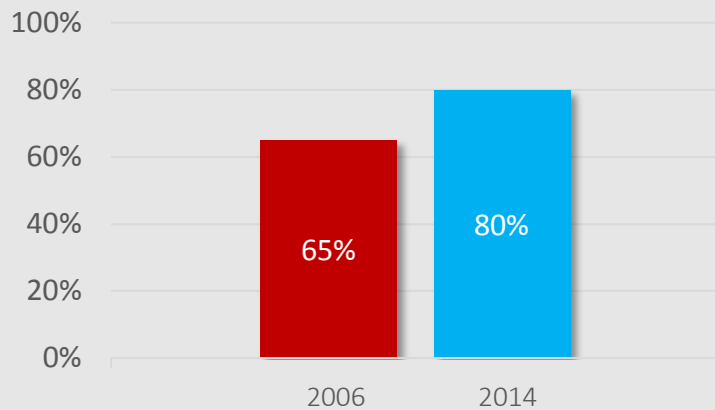- Within 2 years
- Undecided

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## Internal audit function

Internal audit provides independent assurance that a council's risk management, governance and internal control processes are operating effectively. Internal audit is in an organisation's third line of defence against risk. Management (Risk Owners) are typically the first line of defence and the risk management function is the second line of defence.

Around 65% of councils had an internal audit function in 2006. This figure has now grown to 80% in our 2014 survey. This is encouraging and not surprising given the emphasis placed on the importance of internal audit by both the Office of Local Government and bodies such as the Institute of Internal Auditors. Almost all councils without an internal audit function were located in rural areas.

## Timeframes for establishing an internal audit function

In NSW, internal audit is not mandated for councils. This may change if the recommendations of the Independent Local Government Reform Panel Report are adopted.

In the absence of a mandated requirement, a slight majority of councils without internal audit functions indicated that they envisage establishing one within the next two years. However, 47% are undecided as to when they will establish an internal audit function. All of these councils were rural or regional councils.

*Councils with internal audit function*



*Timeframe for establishing internal audit function*



Legend:
- Within the next 6 months
- Between 6 months and 12 months
- Within 2 years
- Undecided
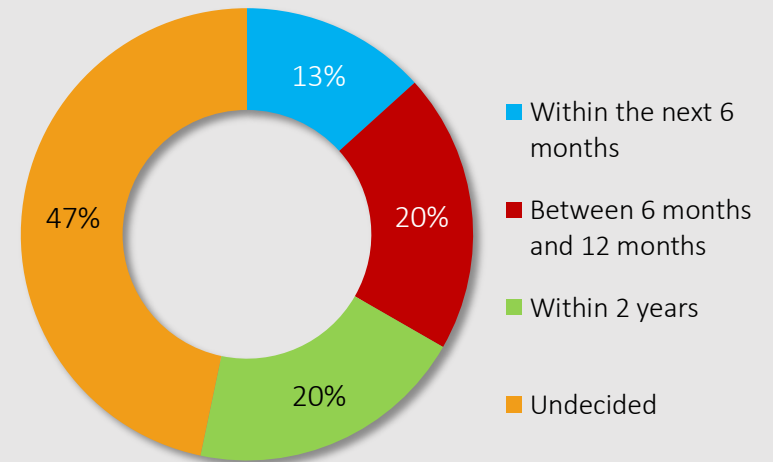
## Strategic audit planning

A strategic internal audit plan is critical for an internal audit function to remain relevant. In particular, the plan plays an important role in achieving a balance between cost and value, aligning internal audit activities to organisational needs while making meaningful contributions to the organisation's overall governance, risk management, and internal control environment.

65% of councils indicated that they have a strategic internal audit plan in place. This means that around 35% of councils with an internal audit function do not have a strategic internal audit plan. This is inconsistent with the Internal Audit Standards and the Office of Local Government Guidelines. This may also be a contributing factor to the perception that internal audit is of somewhat marginal benefit in improving the internal control framework.
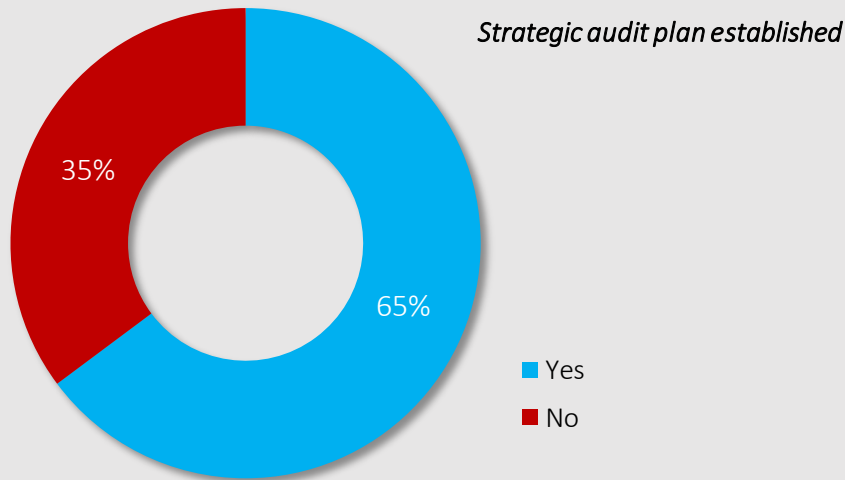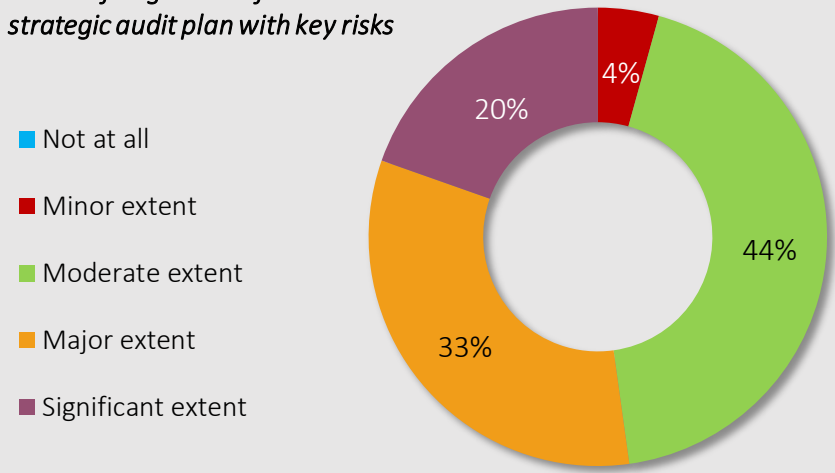
## Alignment of strategic audit plan with key risks

The time and resources involved in developing the strategic internal audit plan should be commensurate with the size and complexity of the council's activities and the level of risks that a council is exposed to.

The fact that the most common response to this question was a neutral score of 3 is a major concern and suggests that many councils are not aligning their audit plans with the key risks facing the organisation.

The internal audit strategy should align with council's strategic direction and demonstrate a good understanding of the goals, objectives and priorities of the council as set out in the integrated planning and reporting framework, and similar documents.

*Strategic audit plan established*

35%

65%

■ Yes
■ No

*Extent of alignment of strategic audit plan with key risks*

■ Not at all
■ Minor extent
■ Moderate extent
■ Major extent
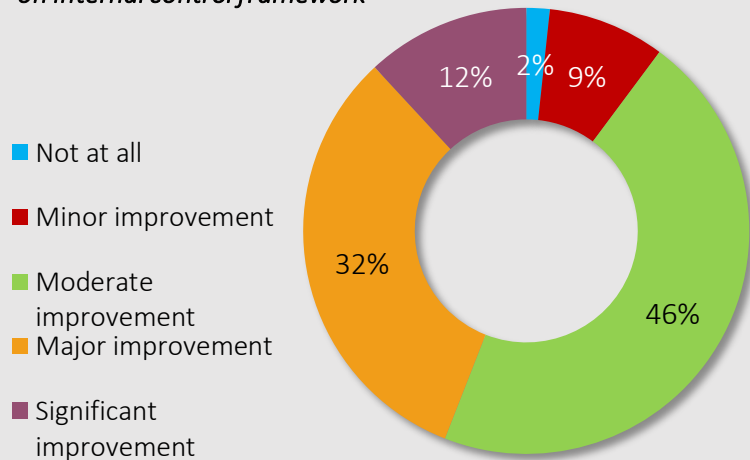■ Significant extent

4%
20%
44%
33%

## Impact of internal audit committee on internal control framework

Only 44% of councils felt that the benefits that internal audit had delivered were on the positive side of neutral. This indicates that the general view of the effectiveness of audit committees in improving internal control was only slightly positive.

This may indicate either that the quality of oversight provided by audit committees requires improvement and/or audit committees need to do a better job at promoting their achievements.
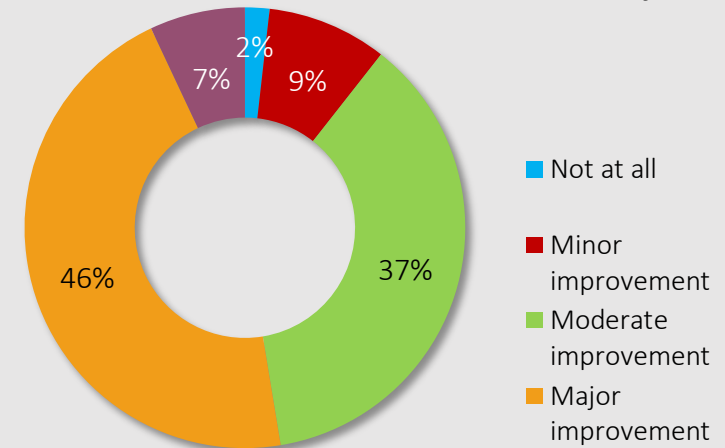
## Impact of internal audit function on internal control framework

What value is internal audit delivering?

Similar to the perception of the benefits of having an internal audit committee, the mean score out of 5 when rating the extent to which internal audit has improved the internal control framework within council was 3.47.

Again this suggests that either internal audit needs to improve its performance and/or better publicise its achievements.

*Impact of internal audit committees on internal control framework*



- Not at all
- Minor improvement
- Moderate improvement
- Major improvement
- Significant improvement

2% 9% 12% 32% 46%

*Impact of internal audit function on internal control framework*



- Not at all
- Minor improvement
- Moderate improvement
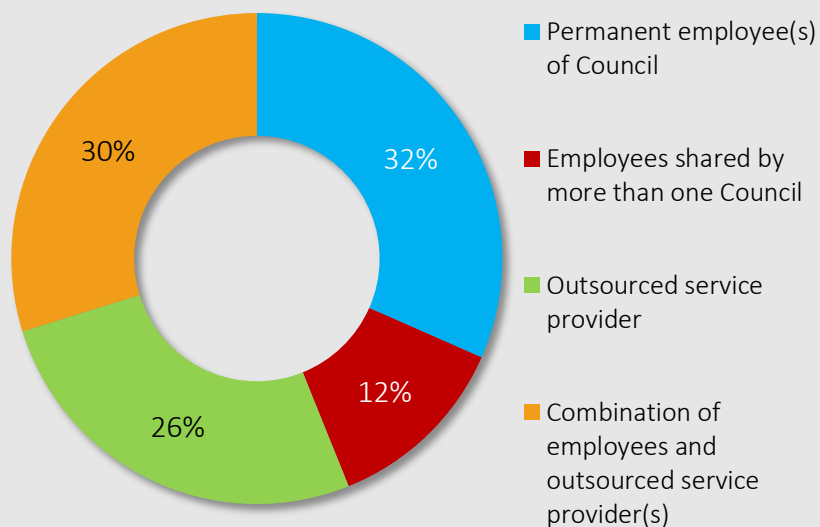- Major improvement

2% 9% 7% 46% 37%

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## Resourcing internal audit

The most common approaches to resource internal audit was to utilise directly employed staff (32%) or a combination of employed staff and outsourced service providers (co-sourcing at 30%). It would, however appear that a growing number of councils are sharing resources (12%) or outsourcing internal audit completely (26%).

Clearly, these figures indicate that there is no one size fits all solution and that a range of models are employed to achieve internal audit outcomes.

*Means of resourcing internal audit services*



- ■ Permanent employee(s) of Council
- ■ Employees shared by more than one Council
- ■ Outsourced service provider
- ■ Combination of employees and outsourced service provider(s)

## Internal audit spending

The results showed a fairly even spread across the nominated expenditure bands with annual expenditure in the range of $50,001 to $100,000 being slightly more common. Of interest is the fact that 46% of councils spend less than $50,000 per annum on internal audit services. Of these councils, only 38% indicated that having an internal audit function had improved the internal control framework within council. However the percentage of councils who believe that internal audit has led to positive improvement increased to 44% where the council spends between $50,001 and $100,000 per annum and to 87% where the annual expenditure exceeds $100,000. This suggests that there is a correlation between the amount of money spent on internal audit and the perception of its value to the organisation. It may also suggest that expenditure above $100,000 per annum is more likely to generate a positive impact on the internal control framework.

*Amount of expenditure on internal audit*



- ■ Less than $25,000
- ■ $25,001 and $50,000
- ■ $50,001 and $100,000
- ■ Over $101,000

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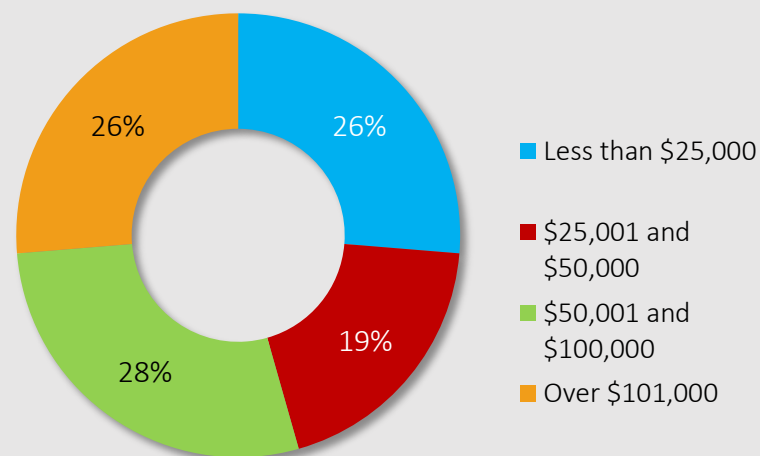
# The Way Forward

## Conclusion and Next Steps

Based on the outcomes of the survey it is apparent that there has been considerable improvement in local government's commitment and approach to risk management, business continuity and internal audit. Council's are more likely to have documented and formalised their approach to managing risk, developed business continuity plans and established internal audit functions and audit committees. Whilst this is an encouraging result there is still much to be done. Some key areas for improvement across the industry highlighted by the survey are:

- Determining, documenting and disseminating council's appetite for risk

- Ensuring that consideration is being given to strategic as well as operational risks

- Making sure that formal risk assessments are conducted prior to embarking on major projects or new initiatives

- Allocating sufficient time and resources to the ongoing implementation of risk management frameworks

- Ensuing that business continuity plans are kept up to date

- Ensure that business continuity plans are tested regularly

- Developing a strategic internal audit plan to ensure that audit activities are aligned to strategic risks and priorities

- Improving the performance of the internal audit function and the audit committee perhaps by developing and reporting on key performance indicators for these areas

Finally, we would like to thank all of the council personnel who took the time to participate in the survey. The willingness of so many people to undertake the survey is in itself an indication of the progress that has been made in raising the profile of risk management within local government. We trust that publishing the results of the survey will encourage further discussion and improvement in risk management and internal audit practice.

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## About InConsult

Established in 2001, InConsult is a leading professional services firm with extensive local and international experience in risk management, business continuity, fraud and corruption prevention, internal audit, assurance and GRC software development and delivery.

InConsult offers a comprehensive, end-to-end range of business solutions to help public and private sector organisations effectively manage risks and improve internal controls to maximise opportunities.

With over 80 local government clients, InConsult is one of the largest service providers to the sector supporting in the areas of risk management, business continuity, fraud and corruption prevention, internal audit, code of conduct investigations, probity and access to information.

InConsult has been appointed to the Fit for the Future Technical Advisory Panel to provide Financial Sustainability, Service Delivery/Review and Community Engagement advice.

InConsult is also accredited under the NSW Government ICT Services Scheme to supply Strategic Risk Management and Business Continuity Planning services to the NSW Government.

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