



Council-Wide Risk Management

An Independent Study of Risk Management
Practices in NSW Local Government

Executive Summary
CWRM 2014/2015

Introduction

Background

It has been nearly nine 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 \$7.4 billion.
- **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.

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-ordinating 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 (for survey participants only) 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 document 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.
- 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.

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 clients 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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