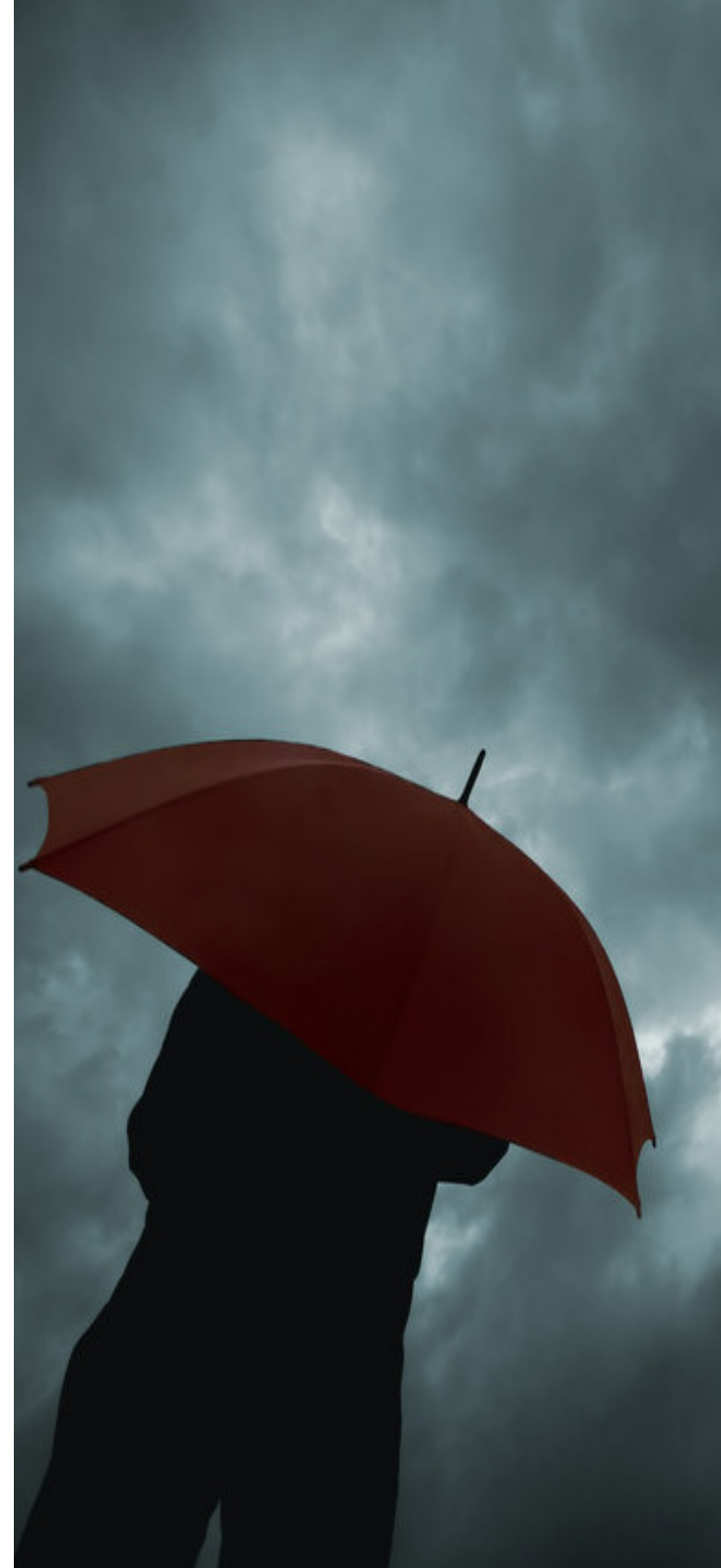


# 2007 Council-Wide Risk Management Report

## Executive Summary

December 2007



# Key findings

As a leader in end-to-end integrated risk management solutions, InConsult is committed to undertaking industry specific research to help advance risk management thinking.

In a nutshell, our 2007 Council Wide Risk Management (CWRM) report shows that NSW councils are making steady progress towards improving their enterprise-wide risk management systems and processes. However, there is still room for improvement.

## Risk management framework

- The vast majority of councils felt they managed their insurable risks such as public liability, legal liability, and OH&S at an 'above average' level. Councils indicated that other risk areas were generally managed at a 'good' level with the exception of strategic risk, political risk, asset/infrastructure risk and reputation risk which require improvement. In our view, technology and financial risk are also areas requiring more attention.
- We found a growing acceptance and appreciation that risk management is more than insurance, All our respondents had undertaken a range of initiatives designed to improve their risk management framework over the last 12 months.
- Increasing activity by councils in their community has resulted in more services and projects. This has been demanding on the risk manager and changes to tort reform has not reduced the risk manager's workload. Obtaining Councillor, management and financial support for risk management initiatives is improving slowly.
- Consequently, half the councils surveyed (50%) rated their risk management framework as either 'poor' or 'fair', acknowledging that there is room for improvement.
- Most councils felt that various activities of their risk management were performed at a 'fair' or 'good' level. Whilst there is room to improve their processes, again, an up-to-date risk register was the area where most councils needed improving.
- Risk management does not happen in isolation. Councils can align risk management activities to other activities to enhance value. Most councils felt their alignment with management plans, insurance program and incident management was 'fair' or 'good'. Alignment with quality management and internal audit activities could be improved.





- In terms of conducting an independent review of councils enterprise-wide risk management framework, most councils (65%) felt this area needed improvement. Many councils did not instigate an independent review of their risk management framework.

### **Risk management maturity**

- In terms of risk management maturity, NSW councils consider themselves as still 'developing' and want to move towards 'proficient' over the next 18 months. This will require a more structured enterprise risk management approach, broadening the context of management and processes that are well defined and embedded into business processes.

### **Business continuity management**

- Business continuity planning, IT disaster recovery, emergency response and crisis management including pandemic outbreaks were areas in need of immediate attention. The majority of councils (64%) rated their existing plans and processes as either 'poor' or 'fair'. Even where plans were in place, annual testing was not regularly conducted by most councils.

### **Insurance arrangements**

- Lower insurance premiums was not the most important consideration when purchasing insurance. Insurance availability, being involved in important decisions and quality claims management to minimise claims cost rated higher in terms of importance. Ancillary services offered by insurers and insurance brokers rated least important.
- Most councils (77%) did not instigate an independent review of their insurance program to evaluate risks, effectiveness and efficiency. This is particularly risky, given that the majority of councils (66%) didn't have retained capital to fund a major uninsured loss.
- The nature of a council's operations and risk profile means that civil liability reforms should have had a significant impact on its insurances. We found that many councils (63%) 'strongly agreed' with the notion that tort reforms had reduced claims cost. However, councils were generally undecided as to whether lower claims cost had flowed through to lower premiums and less workloads for the risk manager.

## About the survey

Our 2007 CWRM study consisted of around fifty self assessment type questions. The self assessment rating used for most questions was a five (5) point scale – Poor, Fair, Good, Above Average and Best Practice.

The survey form was mailed to the General Managers of all New South Wales councils.

We received and analysed a total of thirty three (33) completed responses. This provided us with a 21% response rate. Six (6) councils were from the Sydney metropolitan area and twenty seven (27) were from regional areas.

The surveys were completed by people involved in co-coordinating risk management processes or responsible for risk management activities.

To further improve the quality of our report, we established a 2007 CWRM Reference Group made up of a Mayor, a General Manager and other risk, audit and governance professionals from 10 metropolitan and regional councils. The group reviewed our results and provided additional feedback, comments and observations based on their extensive experience in local government.

### Want to benchmark your council to the survey?

A full copy of the 2007 CWRM Report is available to all councils at no charge to allow you to benchmark your council to the survey results. In addition to presenting and graphing the results, it provides commentary and valuable suggestions for improvement to help councils take immediate steps to improve their risk management framework.

For a copy of the complete 2007 CWRM Report, please email [tonyh@inconsult.com.au](mailto:tonyh@inconsult.com.au).

To discuss our survey findings or any risk management issues you may have, please contact Tony Harb on 02 9241 1344.

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