

Media Release

AUDITOR-GENERAL'S REPORT TO PARLIAMENT VOLUME ELEVEN 2010 INTERNAL AUDIT AND RISK MANAGEMENT READINESS REVIEW

The Auditor-General, Mr Peter Achterstraat, today released the results of his survey which asked 137 NSW Government agencies' to self assess their compliance with NSW Treasury's policy - *Internal Audit and Risk Management Policy for the New South Wales Public Sector - TPP09-05*. The policy requires departments and Statutory Bodies to implement core requirements of internal audit and risk management standards

Strong audit and risk committees and internal audit provide independent assurance to agencies' CEOs and Boards on the adequacy of financial reports, internal controls and risk management processes.

"Good corporate governance should not be seen just as a 'conformance' issue but also as a 'performance tool' to enable agencies to increase their productivity", Mr Achterstraat said.

Much Work has been done (pg 6)

Agencies appear to have done much work to establish audit and risk committees and internal audit functions. Independent chairs and members have been appointed to many audit and risk committees.

Teething problems with new Audit and Risk Committees (p 6)

Some agencies' audit and risk committees are new and appear to be experiencing some teething problems. Some are sometimes not reviewing internal audit resources, being consulted on key staff appointments or formally monitoring their performance. Implementing effective internal audit and risk management processes may help address the deficiencies these committees currently face.

Risk management needs close attention (p 13)

Over 35 per cent of agencies rated their risk management processes as ineffective.

"Risk management is fundamental to an organisation achieving its objectives. Done properly it provides the resilience and flexibility necessary for the public sector to meet the changing needs of the public," Mr Achterstraat said.

Ongoing monitoring required (p5)

It is important that Government closely monitors agency compliance with this new policy on internal audit and risk management policy

"While I can conduct periodic reviews of compliance to policies, it is imperative that central agencies monitor compliance with this new policy, particularly in the first few years," Mr Achterstraat said.

"At the end of the day, organisations need commitment from the top - ie a healthy governance culture and no amount of checklists and committees can be a substitute for this", Mr Achterstraat added

Further information

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Core Requirements

Core Requirement 1	An Internal Audit function has been established and maintained
Core Requirement 2	An Audit & Risk Committee has been established
Core Requirement 3	An Audit & Risk Committee has an independent chair and a majority of independent members. The Audit & Risk committee has at least three members, and no more than five members
Core Requirement 4	The Audit & Risk Committee has a Charter that is consistent with the content of the 'model charter'
Core Requirement 5	An enterprise risk management process that is appropriate to the department or statutory body has been established and maintained. The enterprise risk management process is consistent the current Australian/New Zealand (AS/NZS) on risk management
Core Requirement 6	The operation of the Internal Audit function is consistent with IIA <i>International Standards for the Professional Practice of Internal Auditing</i> . There are additional practice requirements set by the Policy.

Core Requirement Results

Criteria	Effective %	Ineffective %	Exception %	No response %
1 Internal Audit Function	66	12	13	9
2 Audit and Risk Committee	69	9	13	9
3 Independent Chairs and Members	64	14	13	9
4 Model Charter and Committee Operations	53	25	13	9
5 Risk Management Standards	42	36	13	9
6 Internal Audit Standards	53	25	13	9
Average	58	20	13	9

Core Requirements 1: Internal Audit Function

