



Appendix one – Response from agencies

Response from Ministry of Health



Ms Margaret Crawford
Auditor-General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Our ref S18/142

Dear Ms Crawford

Performance Audit report on Managing Risks in the NSW Public Sector: Risk Culture and Capability

Thank you for your letter of 13 March inviting NSW Health to provide a formal response on the Auditor-General's performance audit report on Managing Risks in the NSW Public Sector: Risk Culture and Capability.

The Ministry welcomes the report and the focus given to improve risk management culture and capability in the NSW Public Sector. As outlined in your report, the Ministry is currently working through a revision of our approach to risk management with a particular focus on how to best utilise risk information in decision making and to guide planning for our Health Services. Central to this work will be the fostering of a stronger risk management culture within NSW Health. Participation in this performance audit has provided insights which will inform our ongoing approach.

I appreciate the Ministry being a focus of two exhibits within the final report and for the opportunity to provide additional examples. I would also like to thank the auditors for working closely with the Ministry staff on this audit.

Yours sincerely

Elizabeth Koff
Secretary, NSW Health

2/4/18

NSW Ministry of Health
ABN 92 697 899 630
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Tel. (02) 9391 9000 Fax. (02) 9391 9101
Website. www.health.nsw.gov.au

Response from Department of Finance, Services & Innovation



**Finance,
Services &
Innovation**

McKell Building – 2-24 Rawson Place, Sydney NSW 2000
Tel 02 9372 8877 | TTY 1300 301 181
ABN 81 913 830 179 | www.finance.nsw.gov.au

Office of the Secretary

Our ref: BN 18/723
Your ref: 0006-00163

Ms Margaret Crawford
Auditor-General of NSW
Audit Office of NSW

via email: margaret.crawford@audit.nsw.gov.au

Dear Ms Crawford *Margaret*

Final report on the performance audit: Managing risks in the NSW Public Sector: risk culture and capability

Thank you for providing an opportunity to provide comments on the final performance audit report, "Managing risks in the NSW public sector: risk culture and capability", dated March 2018, prepared by the NSW Auditor General's Office.

Four agencies including the NSW Fair Trading function were examined as part of the audit. The report identifies 8 key findings which are non-agency specific and one recommendation for NSW Treasury to consider.

As you would be aware, I place a great emphasis on risk management within the Department and whilst the key findings were based on the audit of NSW Fair Trading, DFSI considers the findings have merit for implementation across the cluster and we have subsequently developed overarching strategies and a plan of action to address the key findings. These strategies include:

1. Improving the communication and understanding of risk management at all levels across DFSI through the development and implementation of a risk communication strategy and plan.
2. Improving the risk culture across the DFSI cluster to foster a culture where risks and issues are discussed and managed openly, using maturity evaluations and the communications strategy to engage with staff on risk.
3. Developing a culture which supports the Chief Risk Officer to challenge risks, through review of divisional risks as part of the quarterly review process or other mechanisms.
4. Improving the proactive management of risk through the identification and use of data analytics and other early warning indicators.
5. Improving the reporting of risks across the DFSI cluster to encourage improved management of interdependent and shared risks by investigating options to systemise reporting.
6. Develop training and tools to enable managers to make better risk decisions.
7. Capturing quantifiable metrics to understand risk culture and develop actions to improve reporting and behaviours.

8. Continuing to refine and develop the DFSI risk management policy and framework to ensure that risk culture is monitored and managed so that decisions are based on an understanding of the associated risks.

In addition to addressing the findings of the final Performance Audit Report, the DFSI Director of Risk is working with the Better Regulation Governance area and NSW Fair Trading to address the findings specific to NSW Fair Trading from the final Performance Audit.

DFSI has also engaged with NSW Treasury on the key findings and the recommendation will continue to work with NSW Treasury to support improvements in capability and risk culture across the cluster.

Yours sincerely



Martin Hoffman
Secretary

6 April 2018

Response from NSW Police Force

Sensitive: NSW Government

COPY



NSW Police Force

OFFICE OF THE COMMISSIONER

Ms Margaret Crawford
Auditor-General of NSW
GPO Box 12
SYDNEY NSW 2001

Attention: Ms Claudia Migotto

Your ref: 0006-00163
Our ref: D/2018/212171

Dear Ms Crawford,

I refer to your letter, received 14 March 2018, inviting a NSW Police Force response to the performance audit final report, *Managing risks in the NSW public sector: risk culture and capability*, to be incorporated into the published report.

The NSW Police Force notes that the report identifies steps taken by agencies to strengthen risk culture and remains committed to the NSW Treasury's principles-based approach to risk management and the utilisation of the NSW Treasury's tools and guidance.

The NSW Police Force has introduced a *Risk Assurance Framework*, which explains how each area of the organisation performs under the '3 lines of defence' model. Risk descriptors have been amended to ensure consistency with the report findings.

To ensure key risks to the organisation are identified and communicated to the Executive, along with mitigation strategies, the NSW Police Force has formed a Management Risk Committee.

Building on results of the risk culture survey, the NSW Police Force intends to conduct periodic surveys to further develop the organisation's understanding of its risk culture.

Thank you for the opportunity to review the final report.

Yours sincerely,

M J Fuller APM
Commissioner of Police

10 APR 2018

Sensitive: NSW Government



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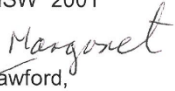
Response from NSW Treasury Corporation



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21 March 2018

Margaret Crawford
Auditor-General of NSW
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001


Dear Ms Crawford,

Managing risks in the NSW Public Sector: Risk Culture and Capability

Thank you for your letter dated 13 March 2018 and for the opportunity to respond to the Performance Audit Report, "Managing risks in the NSW Public Sector: Risk Culture and Capability".

As the State's provider of financial markets and investment management solutions, effective management of risk is a fundamental requirement for TCorp and a core capability of our broader product and service offering to our clients. TCorp welcomes the contribution from the Audit Office towards strengthening the State's risk management culture and capability, and supports your findings and recommendations.

We look forward to continuing to work with the Audit Office, New South Wales Treasury and other agencies in further embedding a strong risk management culture and capability across the State.

Once again thank you for your report.

Yours sincerely,


David Deverall
Chief Executive

Unclassified / 1 of 1

Response from NSW Treasury



Treasury

Ms Margaret Crawford
Auditor-General of NSW
Level 15
1 Margaret Street
Sydney, NSW 2000

Dear Ms Crawford,

Performance audit - Managing risks in the NSW public sector: risk culture and capability

Thank you for the opportunity to comment on your report. Strong risk culture and capabilities are essential to ensuring risk management is effective throughout an organisation and I welcome the Auditor-General's focus on such an important area.

There are direct benefits in strengthening risk management practices in the public sector. Treasury's policies and guidance on risk management are designed to meet the needs of a wide range of government agencies.

This audit has provided valuable input on how the audited agencies have embedded risk management into their organisational cultures. The findings of the report will further inform Treasury's strategy and action plan to support the sector in continuing to improve its practice of risk management.

Attached is a table containing specific comments to the findings in the report for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Pratt'.

Michael Pratt AM
Secretary

12 April 2018

GPO Box 5469, Sydney NSW 2001 ■ Telephone: (02) 9228 4567 ■ www.treasury.nsw.gov.au

Performance audit - Managing risks in the NSW public sector: risk culture and capability
Treasury Comments on Audit Report – March 2018

Ref.	Treasury Comment
Pages 1, 3, 9, 23	<p>The report recommends Treasury (a) review the scope of its risk management guidance and (b) identify additional guidance, training or activities to improve risk culture across the NSW public sector by May 2019.</p> <p>Treasury supports the recommendations and will:</p> <ul style="list-style-type: none"> Undertake a high-level review of the scope of the existing suite of policies, guidance and tools, which is informed by the needs of the sector by May 2019 (a). Identify any additional guidance and focus on improving the practical implementation of existing guidance. Treasury will partner with icare to support capability building in risk management and culture in the sector.
Pages 1, 3, 9, 23	<p>The report recommends that Treasury should encourage agency heads to assess current risk culture, identify desirable changes and takes steps to address those changes.</p> <p>Treasury supports this recommendation and therefore:</p> <ul style="list-style-type: none"> Treasury is committed to work together with departments and agency heads to understand practical challenges in creating a strong risk culture and how to best address these. Treasury will explore opportunities for an increased role of Audit and Risk Committees in Risk Management. Treasury will work with the Public Service Commission and agencies to consider adding risk culture aspects to the People Matter Survey questions.
Page 24	<p>The report finds the interface between the Treasury and agencies on risk management could be improved, and there are several areas within Treasury that have a role in risk management.</p> <p>As a measure to improve the interface and clear communication with the sector Treasury will review and refine the customer interface on risk on its website.</p> <ul style="list-style-type: none"> Treasury will take actions to clarify the roles and responsibilities of the different actors that define the current risk management landscape in the sector.
Page 23	<p>The report finds Treasury's role in supervising risk management in the NSW public sector is consistent with a principles-based approach.</p> <p>Treasury's role is consistent with providing a principles-based framework that supports a devolved model of risk management, which fosters transparency rather than just compliance. Treasury is involved in activities to support risk management in the sector, including:</p> <ul style="list-style-type: none"> Requiring attestations from agencies on their compliance with TPP 15-03 <i>Internal Audit and Risk Management Policy for the NSW Public Sector</i> Participating on the sector's Enterprise Risk Management Community of Practice (ERMCP) Liaising with SunCorp and going forward icare on sector training needs.