

AUDIT OFFICE RISK APPETITE STATEMENT

Introduction

The Audit Office's risk appetite is the amount of risk it is prepared to accept to achieve its strategic objectives. Having a documented risk appetite statement:

- allows for a better understanding of our strategic goals, culture, context and sensitivity to risk
- identifies different risk in different parts of the business
- informs the development of risk tolerances for various Audit Office activities and decisions.

In its role as the independent auditor of NSW Government agencies, universities and local councils, the Audit Office faces several risks. These risks include those from core activities, that is, conducting financial and performance audits, as well as risks relating to corporate and management activities such as managing its workforce and finances, maintaining systems and security, overlooking the quality of our audits, procurement activities or projects it undertakes.

The risks to the Audit Office can be significant and a failure to properly manage these risks will impact its ability to deliver its strategic objectives.

Overall risk management approach

The Audit Office will engage effectively with risk to achieve its strategic objectives.

An enterprise wide risk approach will be adopted, where risks are considered and assessed at different levels within the organisation, embedded in strategic and operational policies and practices and everyday business activities. The Audit Office accepts there is a certain level of inherent risk in its activities and acknowledges that accepting a certain level of risk helps it develop, improve and take opportunities as they arise.

A comprehensive assessment identified six key strategic risks as outlined in the strategic risk register.

Audit Office risk appetite

The Audit Office has a low risk appetite* for our audit activities, meaning we reduce risk and uncertainty, within limited or low risk tolerances, to achieve objectives within our audit activities.

For our corporate and management activities, we have a moderate risk appetite*, meaning we will operate in a particular area or in a particular way after risks have been effectively mitigated in order to pursue opportunities.

The Audit Office has no appetite* for any fraud or corruption perpetrated by its staff. It takes all allegations of suspected fraud or corruption very seriously and responds fully and fairly as set out in the Code of Conduct.

*** Key to risk appetite**



No risk appetite

No willingness to take on any risk.

The Audit Office will not operate in this area or in this way.



Low risk appetite

Uncertainty and risk is minimised.

The Audit Office may operate in this area or in this way where the value is assessed as worthwhile, and only after risks have been effectively mitigated or uncertainty minimised. This is adopted for core business activities within financial and performance audit and for activities in pursuing key Audit Office strategic objectives.



Medium risk appetite

Willingness to take on some level of risk.

The Audit Office will operate in this area or this way after risks have been effectively mitigated in order to pursue opportunities. This is generally adopted for corporate and management activities.



High risk appetite

Willingness to take on risk for an acceptable level of reward.

The Audit Office will take on risk to operate in this area or in this way after all options are considered and the most appropriate option selected for an acceptable level of reward or value for money.
