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27 May 2005

Mr Matt Brown MP  
Chairman  
Public Accounts Committee  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

**By facsimile: 9230 2041**

Dear Mr Brown

I refer to your letter regarding the Legislative Assembly Public Accounts Committee's inquiry into Risk Management in the Public Sector and request for submission.

Please find attached, Newcastle Port Corporation's (NPC) submission including the required survey.

If you require further information in relation to this matter, please do not hesitate to contact me on (02) 4985 8200.

Yours sincerely

Gary Webb  
**CHIEF EXECUTIVE OFFICER**  
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**PUBLIC ACCOUNTS COMMITTEE'S INQUIRY INTO RISK MANAGEMENT  
QUESTIONNAIRE FOR SELECTED AGENCIES**

This inquiry is a follow-up to the *Auditor-General's Performance Audit - Managing Risk in the NSW Public Sector June 2002*. This questionnaire is predominately based upon the requirements of the Australian/New Zealand Standard AS/NZS 4360:2004, *Risk Management (the Standard)*.

If you have any queries, please contact the Committee secretariat on 9230 2363.

Please complete this survey by 29 April 2005 and fax to the Committee on 9230 3052 or post to:

The Committee Manager  
Public Accounts Committee  
Parliament of New South Wales  
Macquarie St  
Sydney NSW 2000

**NSW Public Sector Framework**

The following have significantly contributed to the development and implementation of risk management within your organisation: [Circle your response]

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
• AS/NZS 4360:2004 Risk Management Standard	1	2	3	4	5
• Legislation	1	2	3	4	5
• Policies, directives and guidelines from central agencies	1	2	3	4	5
• Policies, directives and guidelines from non central agencies	1	2	3	4	5
• Internal Audit	1	2	3	4	5
• External Audit	1	2	3	4	5
• Private sector risk management consultants	1	2	3	4	5
• Other [please specify below]	1	2	3	4	5

*Risk management methodology in OHS, quality assurance and administrative system internal controls.*

Is your organisation aware of the Risk Management and Internal Control Guidelines and Self-assessment Toolkit, issued by NSW Treasury in September 1997 (NSW Treasury TPP97-3)?

YES NO  
YES NO N/A  
YES NO N/A

Has your organisation used the Toolkit to improve its risk management processes?

Did Treasury or any other agency provide assistance with implementing the Toolkit?

If your agency used the Toolkit, was an enterprise wide risk management plan developed based on the results of the Toolkit?

Does your organisation have any comments or recommendations about the Toolkit?

*At that time, NPC's internal controls and Internal Audit process was deemed appropriate to manage risk to the equivalent standard.*

Does your organisation's most recent Annual Report include:

- A description of the risks faced by your organisation?
- A description of risk management activities performed by your organisation?
- A risk management declaration by the Board and/or CEO?

YES NO  
YES NO  
YES NO

What other information does your agency provide on risk management to external organisations?

*The Statement of Corporate Intent and Business Plan, lodged annually with the Voting Shareholders, and Treasury, is risk based with applicable enterprise wide risk analysis.*

**Performance Audit Findings**

Did the Auditor-General's findings in the Performance Audit report influence changes to your risk management policies, procedures and practices? If yes, briefly explain.

*The recommendation for greater consistency in the way risks were managed brought attention to the AS/NZS 4360 standard.*

**The Standard**

What impact, if any, did the revised risk management standard have on your policies, procedures and practices?

*The Standard provided a template to model Newcastle Port Corporation's system. AS/NZS 4360 has had a large impact on the shape of NPC's system.*

**Risk Management Process**

Does your organisation have a risk management policy? YES NO

Who approved the policy? CEO after Board review

When was the policy last reviewed and/or revised? December 2004

How is the policy communicated throughout the organisation (to both internal and external stakeholders)?

Board presentation & management / staff workshop.

Have your internal and external stakeholders been identified? YES NO

Has a stakeholder analysis been performed? YES NO

Do you have a communication and consultation plan (formal document or checklist)? YES NO

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Effective risk management is important to the achievement of your organisation's objectives.	1	2	3	4	<u>5</u>
Our risk management practice is well developed.	1	2	3	<u>4</u>	5
Our policies, procedures, systems and internal controls for risk management are defined and communicated.	1	2	3	<u>4</u>	5
Our organisation has appropriate resources to support risk management policy and practice.	1	2	3	<u>4</u>	5
In applying risk management processes and developing related plans, the following have been examined and documented:					
• strategic context: the relationship with the environment [SWOT analysis],	1	2	3	4	<u>5</u>
• organisational context: capabilities, goals and objectives, and	1	2	3	<u>4</u>	5
• risk management context: scope and boundaries for application of the risk management process.	1	2	3	<u>4</u>	5
Risk management is integrated into the following processes in your organisation:					
• corporate/strategic planning	1	2	3	4	<u>5</u>
• annual planning	1	2	3	4	<u>5</u>
• business unit planning	1	2	<u>3</u>	4	<u>5</u>
• project planning	1	2	3	4	<u>5</u>
• audit planning	1	2	3	<u>4</u>	5
• annual budgeting	1	2	<u>3</u>	4	5
• business unit budgeting	1	2	<u>3</u>	4	5
• management reporting	1	2	3	<u>4</u>	5
• external reporting	1	2	<u>3</u>	4	5
• Board reporting (NA if no Board)	1	2	3	4	<u>5</u>
• project reporting	1	2	3	4	<u>5</u>
• performance evaluation	1	2	<u>3</u>	4	5

Does your organisation carry out a comprehensive and systematic identification of its risks relating to each of its objectives?

YES  NO

Does your organisation consider the following types of risk:

- political
- opportunity [risk of missing opportunities to improve on delivery of the organisation's objectives] *Commercial*
- environmental
- alliance [risk of working with partnering organisations]
- loss of intellectual property
- reputation
- financial
- project
- compliance
- public liability
- natural hazard
- technological
- human
- security
- other (please specify below)

YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO

*Port safety*

Who is responsible for risk identification? *NPC's policy recognises that all employees are responsible for risk identification through a number of processes.*

Does your organisation:

- Have a risk register/database?
- Make use of computer software for risk management?

YES  NO  
 YES  NO

What tools and techniques are used by your organisation for identifying risks:

- Audits
- brainstorming
- examination of local/overseas experience
- SWOT *→ in a different format*
- interview/focus groups
- judgement
- surveys/questionnaires
- scenario analysis
- operational modelling
- past experience
- process analysis
- other (please specify below)

YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO  
 YES  NO

*Discussions with other ports and State Owned Corporations.*

In pursuing its objectives, your organisation views risk as:

- a threat?
- an opportunity?
- other? (please specify below)

YES  NO  
 YES  NO  
 YES  NO

Who is responsible for analysing and prioritising the risks facing your organisation? *Strategically - The Board, CEO & Executive Management; tactically - Exec Mgmt & staff*

Who decides of how to address risks? *The owner/owners of the process or outcome of the risk are the most knowledgeable to document the treatment with external & internal assistance if required.*

You respond to analysed risks by:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
• evaluating the effectiveness of existing controls,	1	2	3	4	5
• assessing the costs and benefits of addressing risks,	1	2	3	4	5
• prioritising and selecting the risks that need active management,	1	2	3	4	5
• prioritising risk treatment where there are resource constraints.	1	2	3	4	5

To what extent is the organisation's risk assessed by using:

	Never	Sometimes	Very Often
• qualitative analysis methods [e.g. high, moderate, low]?	1	2 3	4 5
• quantitative analysis methods?	1	2 3	4 5

To what extent does your organisation use the risk treatment of:

	Never	Sometimes	Very Often
• accepting / retaining the risk?	1	2 3	4 5
• avoiding the risk e.g. not proceeding with the activity?	1	2 3	4 5
• reducing the risk e.g. internal control?	1	2 3	4 5
• transferring the risk e.g. insurance?	1	2 3	4 5

To what extent is effectiveness of risk management captured within routine management reporting?

Never	Sometimes	Very Often
1	2 3	4 5

To what extent are key indicators used to routinely monitor the:

	Never	Sometimes	Very Often
• levels of risk?	1	2 3	4 5
• application of risk treatment measures?	1	2 3	4 5
• effectiveness of risk treatments?	1	2 3	4 5

Does your organisation have an up to date:

• business continuity plan?	YES	NO
• disaster recovery plan?	YES	NO
• risk management plan?	YES	NO

Are risk management processes subject to audited?

YES NO

Who reviews and monitors:

- risks faced? designated officer
- application / effectiveness of risk treatments? Exec & Review Teams
- opportunities? Board / CEO

How often is review and monitoring undertaken? \_\_\_\_\_

In the last five years the level of risk faced by your organisation has:

Increased / Decreased / Not Changed / Don't Know

How regularly do you review your insurance coverage? Annually

Does your organisation have a Risk Management Committee?

YES NO

If no, does your organisation have an Audit Committee and is the risk management and internal control framework covered in the Charter?

YES NO

The responsibility for risk management within your organisation is:

- documented and communicated? YES NO
- understood? YES NO

Do performance agreements for executives cover their risk management responsibilities?

YES NO

Have key performance indicators (KPIs) been developed to monitor whether executives are meeting their risk management objectives?

YES NO

Has risk management training been provided to management?

YES NO

Has risk management training been provided to staff?

YES NO

**Effective Risk Management**

Which of the following components of risk management are effective in your organisation:

	Effective	Partially Effective	Ineffective	NA	Not in place
• Executive sponsorship, support and focus	1	2	3	4	5
• Line management ownership of risk management	1	2	3	4	5
• Effective culture and organisation	1	2	3	4	5
• Defined and communicated policies, procedures, systems and internal controls	1	2	3	4	5
• Linkage between risks and corporate aims and objectives	1	2	3	4	5
• Level of understanding of risk and risk management across the organisation	1	2	3	4	5
• Specification of the organisation's risk environment, including articulation of the organisation's objectives	1	2	3	4	5
• Linkage between risk management and individual performance appraisals	1	2	3	4	5
• Establishment of risk appetite, risk tolerance and risk treatment measures	1	2	3	4	5
• Establishment of criteria to evaluate risks	1	2	3	4	5
• Identification of risks	1	2	3	4	5
• Recording of risks	1	2	3	4	5
• Analysis of risks	1	2	3	4	5
• Prioritising of risks	1	2	3	4	5
• Development and implementation of risk management strategies	1	2	3	4	5
• Resourcing of risk management strategies and processes	1	2	3	4	5
• Development of KPIs to measure success of strategies and emerging issues	1	2	3	4	5
• Monitoring strategies against KPIs	1	2	3	4	5
• Performance benchmarking	1	2	3	4	5
• Continuous review/feedback on risk management strategies and performance	1	2	3	4	5
• Regular reporting to senior management	1	2	3	4	5

Overall, at what stage of risk management practice development does your organisation consider itself to be? (Either best practice, well developed, reasonably well developed, basic or not started)

*Reasonably well developed.*

What are the main obstacles to effective risk management in your organisation?

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Please attach any further comments you would like to make, including additional responses to any of the questions.