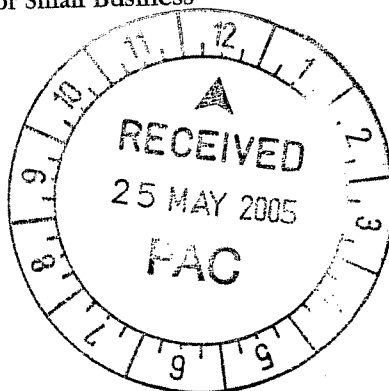




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**David Campbell**  
Minister for Regional Development  
Minister for the Illawarra  
Minister for Small Business

20 MAY 2005



M02131

Mr Matt Brown  
Chairman  
Public Accounts Committee  
NSW Parliament House  
Macquarie St  
SYDNEY NSW 2000

Dear Mr *Matt* Brown

I refer to your recent letter concerning the Public Accounts Committee's current inquiry into Risk Management in the NSW Public Sector.

Thank you for your offer to participate in this inquiry. Please find enclosed a copy of the submission prepared by the Department of State and Regional Development, which indicates that the Department has a risk management framework in place, in line with industry standards. This framework is scheduled for review in July – August 2005.

I believe it would be beneficial to the public sector if agencies were all operating with or utilising a standard framework, and look forward to seeing the outcomes of the inquiry.

If you require further information in relation to this issue please contact Mr Perce Butterworth, Executive Director, Policy and Resources on (02) 9228 3606.

Yours sincerely

**David Campbell**  
Minister for Regional Development  
Minister for the Illawarra  
Minister for Small Business

Encl.

**Public Account Committee's (PAC) Terms of Reference**

**1. How the NSW Public sector has responded to the recommendations in the 2002 Auditor General's Report to Parliament – Managing Risk in the NSW Public sector**

The Auditor Office's recommendations in the 2002 report to Parliament were that the:

**A - Government**

***Require all agencies in the public sector to manage risk in accordance with accepted standards***

The Department has implemented a risk management framework based on accepted standards:

- Risk Management Set (AS/NZS 4360:1999, HB 142:1999 and HB 198:2002)
- Quality Management Systems – Requirements (AS/NZS ISO 9001:2000)
- Information Security Management (AS/NZS 7799:2003)
- Corporate Governance Set (AS 8000, 8001, 8002, 8003, 8004:2003)

The Department believes that it is in the best interest of public sector agencies to adopt a standard platform with managing risk. A standard approach would benefit all agencies operating in partnerships or joint projects.

***Progress the recommendation by Treasury that the Chief Executive Officer (and a Board member, where there is one) provide an attestation to the adequacy and implementation of the internal framework maintained by the agency***

The Department presently includes a discrete statement in its annual report on Risk Management and Insurance and if the reporting requirements were expanded the Department would comply.

***Require the attestation and risk management procedures to be included in Annual Reports***

The Department complies with all Treasury Circulars concerning annual reports. If the Treasury Circulars were expanded the Department would comply.

**B - Treasury**

***Ensure that there is a standard of risk management across the public sector which is applied consistently***

The Department believes that it is in the best interest of public sector agencies to adopt a consistent standard approach to risk management as this would contribute to ongoing accountability and transparency within the sector and contribute to public confidence. It would also benefit all agencies working together either in partnership or on joint projects.

**Monitor and report on:**

- **The implementation of risk management from agencies**
- **The adequacy of information provided in Annual Reports of agencies on risk management**

The Department complies with the central reporting requirements and circulars issued by Treasury. These reporting requirements are reflected in the Department's annual report. If the Treasury reporting requirements were expanded, the Department would comply.

**2. How NSW public sector agencies are implementing the requirements of the new standard**

The Department's policy, register, plan and awareness program are scheduled for review in July – August 2005. As part of this process, the Department's Business Governance unit will review these documents utilising the new Risk Management Standard (4360:2004).

The Department's current framework was developed utilising the following standards:

- Risk Management Set (AS/NZS 4360:1999, HB 142:1999 and HB 198:2002)
- Quality Management Systems – Requirements (AS/NZS ISO 9001:2000)
- Information Security Management (AS/NZS 7799:2003)
- Corporate Governance Set (AS 8000, 8001, 8002, 8003, 8004:2003)

The revised documentation is communicated to Departmental staff utilising a variety of channels, such as staff meetings, regional meetings, business program specific awareness sessions, general risk management awareness sessions and the Department's Intranet site.

**3. The level of progress towards development of better risk management practice in the NSW public sector.**

The Department has implemented a risk management framework based on accepted standards.

Prepared by  
Perce Butterworth  
Executive Director, Policy and Resources  
(02) 9228 3036