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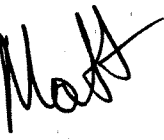


Special Minister of State  
Minister for Commerce  
Minister for Industrial Relations  
Minister for Ageing  
Minister for Disability Services  
Assistant Treasurer  
Vice President of the Executive Council

Ref: PAC 261

9 MAY 2005

The Hon M Brown MP  
Chairman  
Legislative Assembly  
Public Accounts Committee  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000


Dear Chairman 

I refer to your letter of 23 March 2005 requesting submissions to the Public Accounts Committee's current inquiry into Risk Management in the NSW Public Sector.

I am pleased to provide you with a response from the Department of Commerce at Tab A, Department of Ageing, Disability and Home Care at Tab B and WorkCover Authority at Tab C, covering risk management within each agency. You will note that there is an additional statement attached to the questionnaire for both Commerce and WorkCover that I hope will be of assistance to the Committee in its inquiry.

In your letter you also requested the names of appropriate officers in the event that further information is required by the Committee. Should you require further information from the Department of Commerce, please do not hesitate to contact Alastair Hunter, Chief Financial Officer on (02) 9372-7150. Should you require further information from the Department of Ageing, Disability and Home Care, please contact Jim Moore, Executive Director, Business Improvement on (02) 8270-2165. Mr Greg Byrne, Director of Internal Audit may be contacted on (02) 4321-5641 if you require any further detail from WorkCover New South Wales.

Yours sincerely

  
John Della Bosca MLC



## PUBLIC ACCOUNTS COMMITTEE INQUIRY INTO RISK MANAGEMENT IN THE NSW PUBLIC SECTOR

### PURPOSE OF THIS PAPER

To provide comment in relation to the Terms of Reference of the Public Accounts Committee Inquiry in to Risk Management in the NSW Public Sector (June 2002) and to provide contact details for relevant WorkCover staff.

### Comment in relation to 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 first recommendation of the Auditor General's Report was to require all agencies in the public sector to manage risks in accordance with accepted standards

The WorkCover Executive noted the release of the Auditor-General's Report on Managing Risk in the NSW Public Sector and the Risk Management Standard AS/NZS 4360 was utilised for several major activities:

- In October 2002 WorkCover moved its Head Office from Kent St Sydney to Gosford. Risk assessments were conducted to manage the physical move from the Sydney to Gosford. These assessments led to contingency plans being prepared for all key services.
- In mid 2003 WorkCover formed a Risk Management Committee. This committee performed high level risk assessments using AS/NZS 4360 across all operations within WorkCover, evaluating risks, identifying risk treatment plans and establishing a risk register.
- Consultants were engaged to conduct a further risk assessment to expand on the internal review and to provide a basis for audit planning.
- In November 2003 WorkCover implemented its Project Management Methodology "WorkCover Project Management Approach". The methodology requires that the business case include a risk assessment.
- In 2004 WorkCover commenced development of a Business Continuity Plan. Effective business continuity management is a key component of risk management.

- WorkCover is currently seeking certification under AS/NZS 7799 Information Security Management. The risk management standard is the methodology utilised to evaluate the effectiveness of control systems for managing risk associated with information assets.

The Risk Management Standard 4360:2004 is the adopted standard within WorkCover for undertaking risk assessments.

The second recommendation of the Auditor General's Report was that government 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.

With the restructuring of the WorkCover Audit Committee in December 2004, the charter for the Committee includes the responsibility:

*To monitor the implementation of an effective system for managing and reporting risk across all WorkCover activities.*

Prior to the Audit Committee restructure there was no formal responsibility assigned for over sighting the implementation of risk management. The coordination of risk management and the development of an Authority wide plan will pull together what had previously been a sporadic approach to managing risk.

In line with the plan for the implementation of risk management the first attestations by the CEO and Board will be provided in 2006.

The third recommendation of the Auditor General's Report was requiring the attestation and risk management procedures adopted to be included in the Annual Report.

The 2003/04 briefly mentions the risk management activities undertaken during the period. In 2004/05 these statements will be significantly expanded to detail progress made towards the implementation of effective risk management.

#### **COMMENT**

The WorkCover Board and Executive are committed towards the implementation of an effective system of risk management. The Audit Committee is responsible for monitoring the implementation of risk management and is receiving quarterly progress reports on progress against current risk management activities.

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

WorkCover's current priorities in implementing risk management are in accordance with Premier's directives for:

- The development of an effective Business Continuity Plan.
- To achieve pilot certification for Information System management by September 2005.

In September 2004 the WorkCover Business Continuity Management Committee was established. This is an internal working group chaired by the General Manager Corporate Services. This Committee includes senior representatives from all Divisions and is overseeing the development of the Business Continuity Plan, the pilot projects for certification under AS/NZS 7799 and the updating of the Authority's Information Technology Disaster Recovery Plan.

In September 2005 the Internal Audit Unit is co-coordinating an Authority wide "Control Self Assessment". This assessment is a key component of the implementation of effective risk management, as it will provide feedback on the health of the organisations systems of internal control.

WorkCover has also identified the need to further improve systems for corruption prevention. Included in the current corruption prevention activities is a pilot fraud risk assessment project that is commencing in May 2005.

The Project for implementing organisation wide risk management is scheduled to commence in January 2006.

**COMMENT**

The experience with business continuity planning and information system management has identified that in order to achieve successful implementations the organisation must drive the project and work closely with Divisions so that there is a "buy in" to the process from management and staff. These projects have also provided exposure to risk management methodology that will be invaluable in the establishment of a risk management culture.

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

In the Questionnaire WorkCover's stage of risk management practice development was conservatively rated as "basic". With the commitment of the Board and Executive and the Risk Management

Plans that are now being implemented there will be consistent progress in the development of risk management.

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