

COUNCILS MAKING STEADY PROGRESS IN RISK MANAGEMENT SAYS SURVEY

A survey of local government authorities in New South Wales reports councils were becoming increasingly active in managing council-wide risks but there was still room for improvement, particularly in light of the recent US sub-prime mortgage crisis and the resulting credit crunch, global economic woes and extreme weather conditions.

The *2007 Council-Wide Risk Management Report (CWRM)* is the second survey completed by InConsult, a specialist risk management advisory, technology, training and recruitment firm.

The inaugural survey in 2006 found that while all NSW councils had risk management systems and processes in place, most councils heavily focused on insurable risks, many had not identified all their major risks and the majority felt their risk management frameworks needed improvement.

Mr Tony Harb, managing director of InConsult, believed the messages to local governments from the 2006 CWRM Report were simple - start looking harder at your risks and beyond your insurable risks and continually re-evaluate your operational, financial and strategic risks.

“The fact that twelve months later, the sub-prime mortgage debacle has adversely impacted the financial position of a number of councils reinforces our point and that, surprise, surprise, these investment losses are not insurable,” Mr Harb said.

The 2007 CWRM Report reviews the progress councils have made in enterprise risk management (ERM) and looks into a number of other risk management related areas including the effectiveness and efficiency of business continuity management and the importance of a number of factors relating to insurance arrangements.

The survey includes responses from 33 NSW councils, six from the Sydney metropolitan area and 27 from regional areas. To further enhance the integrity of the final report, InConsult established a Reference Group consisting of a mayor, a general manager and risk, audit and governance professionals from 10 metropolitan and regional councils, to review survey results and provide additional feedback, comments and observations based on their extensive experience in local government.

Key findings from the survey found:

- a growing acceptance by councils that risk management was more than insurance and all councils undertook initiatives to improve their risk management framework over the past 12 months
- 50 per cent of councils rated their risk management framework as either poor¹ or fair, indicating there was still room for improvement

¹ The 2007 CWRM survey asked councils to rate their responses to questions from poor, fair, good, above average and best practice

