

**Submission
No 3**

**EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT
REPORTS FEBRUARY 2018 - JULY 2018**

Organisation: NSW Treasury

Date Received: 11 July 2019



Contact: [REDACTED]
Telephone: [REDACTED]
Our Reference: P19/1413
Your Reference: D19/23575

Greg Piper MP
Chair
Legislative Assembly
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Dear Mr Piper,

Auditor-General's performance audit report – *Managing risk in the NSW public sector: risk and capability*

Thank you for your letter dated 28 June 2019.

There were four recommendations for Treasury in the Auditor-General's performance audit report, *Managing risk in the NSW public sector: risk and capability* (Report). Treasury responded to these recommendations with actions to be taken in Appendix One of the Report. These actions were completed by 31 May 2019 through several initiatives, which are outlined in the attached submission.

The initiatives are:

- Treasury formed an Audit and Risk Committee (ARC) Leadership Forum focussed on risk management to facilitate cross-sector ARC knowledge-sharing between cluster ARC chairs;
- Treasury partnered with icare to launch the new Risk Education eXpress (REX) platform which identifies sector risk management needs in risk culture and capability, and to develop training to improve risk management capability across the sector;
- Treasury's Secretary sponsored a 'CFO of the Sector' forum in which risk management is a key agenda item and which supports sector-wide risk identification, dialogues and mitigation;
- Treasury developed a sector-wide Risk Maturity Tool in collaboration with the sector to assess risk culture, identify improvements and strengthen risk management capability and culture across the sector; and
- Treasury worked with the Public Service Commission to add a question on risk culture to the 2019 People Matter Employee Survey.

If you have any questions regarding this, please contact [REDACTED]

Yours sincerely

Joann Wilkie
Acting Secretary

11 July 2019

**Implementation of Recommendations
NSW Treasury
Managing risk in the NSW public sector: risk and capability**

Recommendation	Accepted/ Rejected	Actions to Be Taken	Due Date	Status (Completed, On Track, Delayed) and Comment	Responsibility
Treasury should: a) Review the scope of its risk management guidance	Accepted	Treasury will undertake a high-level review of the scope of existing suite of policies, guidance, tools, which is informed by the needs of the sector by May 2019.	May 2019	Completed Performed a high-level review of policies in relation to risk culture and capability including: <ul style="list-style-type: none"> Working with icare to design their new Risk Education eXpress (REX) platform through sector wide workshops to identify sector needs in risk management capability and culture. Treasury provided subject matter experts at respective workshops including ARC Chairs and Chief Risk Officers. Releasing TC18-02: NSW Fraud and Corruption and Control in April 2018 Changes and considerations from the updated risk standard ISO 31000:2018 being embedded in respective Treasury Policies – the Internal Audit and Risk Management Policy (TPP15-03) is currently being revised for the <i>Government Sector Finance Act</i> changes. 	Treasury – Financial Management Governance & Analytics
Treasury should: b) Identify additional guidance, training or activities to improve risk culture across the NSW public sector.	Accepted	From the high-level review, Treasury will identify any additional guidance and focus on improving the practical implementation of existing guidance. Treasury will partner with iCare to support capability building in risk management and culture in the sector.	May 2019	Completed <ul style="list-style-type: none"> Treasury is partnering with icare to design and contribute to the content of REX including upcoming webinars and full day training sessions which cover the practical implementation of Treasury's Risk Management Toolkit. Delivered a presentation on Emerging Risks: Fraud and Corruption Case studies in the public sector in partnership with ICAC and icare in June 2018. 	Treasury – Financial Management Governance & Analytics
Treasury should: c) Encourage agency heads to form a view on the current risk culture in their agencies, identify	Accepted	Treasury will: (i) work together with departments and agency heads to understand the practical challenges in creating a strong risk culture and how best to address these.	May 2019	Completed (i) <ul style="list-style-type: none"> Working with icare to build a stronger risk culture through the rollout of the REX platform in 2019. Developing a sector-wide Risk Maturity Tool in collaboration with the sector to assess risk culture, 	Treasury – Financial Management Governance & Analytics

<p>desirable changes to that risk culture, and take steps to address those changes.</p>		<p>(ii) explore opportunities for an increased role of Audit and Risk Committees in risk management. (iii) work with the Public Service Commission and agencies to consider adding risk culture aspects to the People Matter Survey questions.</p>		<p>identify improvements and strengthen risk management capability and culture across the sector. The Risk Maturity Tool is in draft as at July 2019 and the tool will be finalised by late 2019.</p> <ul style="list-style-type: none"> • Treasury's Secretary is sponsoring the 'CFO of the Sector' forum with cluster CFOs. Risk management will be a key agenda item at these meetings. The first meeting was held in March 2019. This forum will develop a sector wide risk heat map to identify the key risks faced by NSW and to facilitate collective mitigation identification. <p>(ii)</p> <ul style="list-style-type: none"> • Treasury has formed an ARC Leadership Forum which focusses on risk management for cross-sector ARC knowledge-sharing. The first meeting was on 19 March 2019. These meetings will occur on a quarterly basis. • In partnership with ICAC and Treasury, a presentation by Treasury's ARC Chair was held on 'the role of the Audit and Risk Committees in the public sector' at the Nov 2018 Corruption Prevention Network seminar. <p>(iii)</p> <ul style="list-style-type: none"> • Treasury worked with the Public Service Commission to add the following question on risk culture to the 2019 People Matter Employee Survey, "I am comfortable notifying my manager if I become aware of any risks at work." 	
<p>d) the interface between NSW Treasury and agencies on risk management could be improved.</p>	<p>Accepted</p>	<p>(i) To improve the interface and clear communication with the sector, Treasury will review and refine the customer interface on its website. (ii) Treasury will take actions to clarify the roles and responsibilities of the different actors that define the current risk management landscape in the sector.</p>	<p>May 2019</p>	<p>Completed (i) and (ii) Treasury's website has been updated to reflect Treasury's risk management structure to clarify roles and responsibilities and refine the website customer interface.</p>	<p>Treasury – Financial Management Governance & Analytics</p>