



Business Continuity Management in Local Government



VICTORIA

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Auditor-General

Business Continuity Management in Local Government

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Victorian Auditor-General's Office
Auditing in the Public Interest

The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Business Continuity Management in Local Government*.

Yours faithfully



D D R PEARSON
Auditor-General

1 September 2010

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Audit summary

Local councils provide a wide range of services. Disruptions to the continuity of these services could have a significant adverse impact on the community and prevent a council from meeting its obligations. The *Local Government Act 1989* commits councils to developing and maintaining adequate internal control systems. Business continuity plans, risk registers and disaster recovery plans are widely recognised as critical elements of such systems.

This audit assessed the effectiveness of business continuity management at:

- Alpine Shire Council
- Corangamite Shire Council
- Manningham City Council
- Mildura Rural City Council.

The audit examined whether these councils have a sound business continuity plan, if they regularly test and report on its effectiveness, and if they use testing outcomes to continuously improve their business continuity practices.

Conclusions

The business continuity plans examined are unlikely to prove effective in the event of a significant disruption to council services. While events that can cause a major disruption are rare, should they occur, there is little assurance councils' responses will be timely and effective.

Findings

The need for soundly developed business continuity plans

Business continuity plans at each council were not developed through a sufficiently rigorous process. As a result, there was little assurance that they identified sufficient actions to mitigate potential disruption risks, or the minimum resources needed to restore critical council functions.

There was a need to strengthen risk management practices to better assure that all possible disruption risks were identified and that their impacts on important council functions were thoroughly assessed. This business impact assessment is a critical first step in developing a sound business continuity plan. It assists in identifying which business functions are critical, including the resources and capabilities needed to effectively manage risks to their disruption.

The absence of this assessment at each council, however, meant there was little assurance they had properly resolved these issues. This situation needs to be addressed. Only Mildura attempted a business impact assessment. However, it fell short of good practice as it did not sufficiently consider the full range of possible disruption scenarios, and their impact on critical council services. Additionally, there was little assurance Mildura's assessment was up to date as it was first conducted in 2006 but had not since been reviewed.

There was also scope to improve each council's business continuity plan to assure greater clarity on the specific response actions, roles and responsibilities, including better integration with other council disaster recovery and emergency plans.

Despite these weaknesses, Manningham successfully maintained business operations following a major fire at its premises in July 2009. This was a positive outcome and largely due to the responsiveness of the management team and staff.

Arrangements for effective business continuity management

There was a need to improve the governance framework at each council examined. None had adequate policies for business continuity management. None provided sufficient guidance to staff on the procedures needed to soundly develop and test a business continuity plan. Only Mildura had a policy that set high-level goals for its business continuity plan but it did not offer sufficient guidance.

Arrangements at each council for monitoring the performance of their business continuity activities were also inadequate. Alpine and Corangamite had not established arrangements to systematically evaluate, monitor or report to senior management and council on the effectiveness of their business continuity management. Limited reporting was evident at Mildura and Manningham. However, it was ad hoc and generally insufficient for assuring senior management, the audit committee and council that the business continuity plan had been rigorously developed and tested, and that deficiencies identified from previous testing had been addressed. Manningham has initiated actions to address these issues.

There was also an over-reliance by each council on periodic reviews of their business continuity plans by their insurer. These reviews had inherent limitations and did not, in themselves, provide sufficient assurance that plans were rigorous, or that local arrangements for managing business continuity were fully effective.

Assuring continuous improvement

Alpine, Corangamite and Manningham had not yet formalised arrangements to systematically review and continuously improve the effectiveness of their business continuity activities. Only Mildura tested its plans on an annual basis and provided staff involved in business continuity management with targeted training. The scope of testing, however, was limited. It should be extended to cover all of council's business continuity plans and major components to assure that each plan was current and would be effective if required.

Alpine and Corangamite had not tested their plans and staff with associated responsibilities had not received training. While Manningham had tested its plan in the month preceding the fire, there was no evidence to indicate testing occurred systematically, was comprehensive and that staff received sufficient training. Manningham has since committed to addressing these issues.

The lack of testing, limited training opportunities and absence of continuous improvement for business continuity at each council meant there was little assurance plans were up to date, that they would be effective if needed, or that staff were adequately prepared to deal with significant disruptions to critical business operations. These risks materialised at Manningham following the July 2009 fire that uncovered valuable lessons and opportunities for strengthening local arrangements.

Recommendations

Number	Recommendation	Page
1.	Councils should strengthen governance arrangements for business continuity by: <ul style="list-style-type: none">• developing and endorsing policies on business continuity that establish clear objectives and standards for business continuity management, and provide enough guidance on the procedures needed to develop a rigorous business continuity plan and associated testing regime• systematically monitoring and reporting to senior management and council on the effectiveness of their business continuity management framework.	8
2.	Councils should improve assessments of business continuity risks by: <ul style="list-style-type: none">• strengthening risk management practices to assure they identify and consider the full range of specific business continuity risks• thoroughly evaluating the impact of disruption risks on critical business functions• identifying the minimum resources and response times needed to assure operational continuity through an effective business impact assessment.	17
3.	Councils should improve the structure, format and content of their business continuity plans to provide greater clarity on roles and responsibilities for emergencies, more specificity on continuity and recovery responses, and better integration with other council disaster recovery and emergency plans.	27
4.	Councils should strengthen their continuous improvement frameworks by: <ul style="list-style-type: none">• systematically reviewing the effectiveness of their business continuity activities• regularly testing business continuity plans to assure they are up-to-date and effective• providing training for all council staff with business continuity responsibilities to make sure they are able to effectively discharge their responsibilities.	33
5.	Local Government Victoria should, further to its work on strengthening the oversight role of audit committees, assist councils to develop good practice approaches to implementing, overseeing and continuously improving business continuity management.	33

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Planning and Community Development, Alpine Shire Council, Corangamite Shire Council, Manningham City Council and Mildura Rural City Council with a request for comments or submissions. Responses were received from all agencies except Alpine Shire Council.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. The full Section 16(3) comments and submissions, however, are included in Appendix A.

1

Background

1.1 Introduction

1.1.1 Importance of business continuity management

Local councils provide a wide range of community services including child and family day care services, meals on wheels, waste collection, planning and recreational services. Disruption to the continuity of these services can have a significant adverse impact on the community and prevent a council from meeting its obligations.

Business continuity management aims to minimise adverse effects of impacts arising from these disruptions. It involves adopting a whole of business approach to identifying and mitigating risks to critical business functions so that they can be quickly restored in the event of unexpected disruptions such as fire, flood and the failure of IT systems.

Effective business continuity management provides assurance that there are sound arrangements to support continuing operations in the event of a disruption. This requires councils to identify and assess risks to their critical business activities and supporting resources, analyse the impact of disruption to these activities, develop appropriate recovery strategies, and maintain an appropriate and current business continuity plan. The plan should document the procedures and resources needed to manage and recover from a disruption, be tested and reviewed regularly, and be an integral part of a council's risk management framework.

1.1.2 Snapshot of current practice

Our November 2009 report on the results of local council 2008–09 financial audits (2009–10:1), found that out of all councils 62 (78 per cent) had developed a business continuity plan, however, only 23 (37 per cent) of these councils had tested their plan. The report recommended that the Department of Planning and Community Development (DPCD) work with councils to develop effective business continuity management practices.

This audit proceeded to examine the quality of council business continuity plans including effectiveness of associated practices, as plans developed in the absence of such arrangements can provide a false sense of assurance.

Local Government Victoria (LGV), a division of DPCD, works in partnership with local councils to promote continuous improvement.

LGV does not provide support to local government in the area of business continuity management as part of its daily duties. However, in response to our November 2009 report, DPCD committed LGV to examining, as part of its sector-wide consultation on the draft revised *Best Practice Guideline for Local Government Audit Committees*, how the role of audit committees to oversight business continuity planning could be strengthened.

LGV advised that the guidelines will be released in the latter part of 2010 and will reflect relevant findings from this audit and make specific reference to the role of audit committees in business continuity management.

1.2 The regulatory and policy framework

Local Government Act 1989

The *Local Government Act 1989* (the Act) requires councils to provide services that are accessible and responsive to the needs of the community. The Act also commits councils to developing and maintaining adequate internal control systems. Business continuity plans, risk registers and disaster recovery plans are widely recognised as critical elements of such systems.

Emergency Management Act 1986

The *Emergency Management Act 1986* further reinforces councils' obligations to plan effectively but focuses on broader emergencies that threaten community safety. It requires each council to appoint a committee responsible for preparing a Municipal Emergency Management Plan (MEMP). The MEMP must identify the resources and activities for emergency prevention, response and recovery and be audited by the Director of the Victoria State Emergency Service every three years. A council must respond to an audit report within three months.

Emergency Management Manual Victoria

The *Emergency Management Manual Victoria* further supports the *Emergency Management Act 1986* and provides guidance on the specific emergency management and related planning responsibilities of councils.

While the manual covers emergencies that normally have wider implications beyond business continuity, it nevertheless highlights the importance of integrated planning, conducted within a whole-of-council framework for minimising duplication and for producing better outcomes. These principles apply equally to councils' approach to business continuity planning and management.

Victorian Human Influenza Pandemic Plan

The state government released the *Victorian Human Influenza Pandemic Plan* in April 2007 to mitigate the potential social and economic consequences of such a pandemic to the Victorian community.

An influenza pandemic in Victoria would constitute an emergency under the *Emergency Management Act 1986*, and Victoria's influenza pandemic plan requires local government to take a lead role in the planning, response and recovery phases of such a pandemic. The key responsibilities of councils under the plan include assisting in reducing the impacts of an influenza pandemic within the municipality, and providing support and recovery assistance during the pandemic.

Victoria's influenza pandemic plan identifies the maintenance of essential municipal services as a critical focus for council during such an event. The importance of business continuity in this context is highlighted by the fact that a council is likely to face increased demand for its public health and community support services during a time where its own capacity to deliver them may be overwhelmed.

In order to acquit its responsibilities under Victoria's influenza pandemic plan, each council should develop its own influenza pandemic plan and assure that relevant risks and mitigation strategies are appropriately integrated within its MEMP and local business continuity plan.

1.3 Audit of business continuity management

1.3.1 Audit objective

The objective of the audit was to determine the effectiveness of business continuity management by local councils. Specifically, the audit assessed whether councils:

- have a sound business continuity plan in place
- regularly test and report on the effectiveness of their business continuity plan and management practices
- use outcomes from testing to continuously improve their business continuity practices.

1.3.2 Scope and methodology

This audit examined the business continuity policies, plans and practices currently in place at:

- Alpine Shire Council
- Corangamite Shire Council
- Manningham City Council
- Mildura Rural City Council.

The audit was performed in accordance with the Australian Auditing and Assurance Standards.

1.3.3 Cost of the audit

The audit cost \$300 000.

2

Governance arrangements for managing business continuity

At a glance

Background

Councils need a sound governance framework to support effective management of business continuity.

Conclusion

Inadequate policies, standards and reporting to council and senior staff for business continuity management, meant there was little assurance that business continuity plans were soundly developed.

Key findings

- None of the councils examined had adequate policies or provided sufficient guidance on the procedures required to support effective business continuity management.
- Arrangements at each council for monitoring the performance of their business continuity management were inadequate.
- There was an over-reliance by councils on periodic reviews of their business continuity plans by their insurer. The reviews have inherent limitations and do not provide sufficient assurance of their effectiveness.

Recommendation

Councils should strengthen governance arrangements for business continuity by:

- developing and endorsing policies that establish clear objectives and standards for business continuity management
- systematically monitoring and reporting to senior management and council on the effectiveness of their business continuity management.

2.1 Introduction

Poor business continuity management can increase a council's exposure to risks that threaten the delivery of critical services. It can also mean there is inadequate understanding of the impacts that can arise from potential disruptions, and of the actions needed to effectively mitigate them.

This situation is undesirable as it leads to poor contingency planning and increases the likelihood of flawed recovery strategies that delay or fail to adequately restore important council functions in the event of a disruption.

Sound governance arrangements support effective business continuity management and require:

- policies that set clear objectives and acceptable standards for business continuity management, supported by guidance for staff on related procedures
- arrangements for overseeing, monitoring and evaluating the effectiveness of business continuity management practices.

2.2 Conclusion

Inadequate policies, standards and guidance for business continuity management, coupled with insufficient reporting on the adequacy of associated activities to council and senior staff, meant there was little assurance that business continuity plans had been rigorously developed and tested, or whether council was prepared to deal with significant disruptions.

2.3 Establishing sound policies for business continuity management

Effective business continuity management should be supported by sound policies that establish:

- clear objectives and desired outcomes for business continuity management
- acceptable standards and guidance for rigorous business continuity planning, and for testing and updating developed plans
- clear roles and responsibilities for implementing and overseeing business continuity activities.

None of the councils examined had policies that adequately addressed all of the above. Nor did they provide sufficient guidance to staff on how to identify critical services, analyse potential impacts to their disruption, and for soundly developing and testing business continuity plans.

Of the four councils examined, only Mildura had a documented business continuity policy. While Mildura's policy established requirements for undertaking these activities, it did not offer sufficient guidance on the procedures needed to achieve good practice. Manningham initiated development of a business continuity policy during the audit.

All councils had assigned responsibilities for developing and implementing business continuity plans, and for reviewing them annually. However, except for Mildura, none had clearly allocated responsibilities for testing plans, or for training staff with associated responsibilities.

Some confusion was also evident across the councils examined regarding the difference between the review and testing processes. Periodic testing of business continuity plans should provide insights on the specific actions needed to strengthen existing contingency arrangements. The main focus of the review stage, however, is to provide assurance to senior management and council that business continuity plans are up-to-date and that required actions identified from testing have been implemented. In this regard, it is good practice for councils to review their plans annually.

2.4 Oversight and performance monitoring

Reporting to senior management and council on business continuity arrangements is an important part of providing assurance that council is adequately prepared to deal with significant disruptions should they occur.

Effective reporting includes information on the level of compliance with council's business continuity policy, assessments of the adequacy of existing arrangements against good practice, issues identified from recent testing and evaluations, and the status of remedial actions taken.

Oversight of business continuity activities was inadequate at each of the councils examined. Alpine and Corangamite did not systematically evaluate, monitor or report to senior management and council on the effectiveness of their business continuity frameworks. Some reporting was evident at Manningham and Mildura, however, it was limited, ad hoc, and generally provided insufficient detail to adequately assure that business continuity plans had been rigorously developed and tested, and that associated remedial actions had been addressed.

Manningham did periodically report to senior management on business continuity issues at executive and cross-organisational forums. However, reporting on the results of testing and on the status of actions arising was limited and lacked visibility by councillors. Manningham has acknowledged these issues and has initiated action to address them.

At Mildura, responsibility for overseeing business continuity management was assigned to a Business Continuity Committee. The committee was required to meet quarterly, but in practice meetings occurred less frequently due to limited resources. For example, the committee had only met in the first half of 2009. The committee has considered reports on the outcomes of testing exercises but has not reported this information to senior management or council, including details of the status of any remedial actions taken. Introducing this requirement would strengthen accountability of the committee and would provide better assurance to council that the committee is managing business continuity effectively.

Only Corangamite had conducted an internal audit of its business continuity management program whereas Manningham and Mildura had scheduled internal audits for future years. Corangamite's audit occurred in 2007 and identified the need to strengthen business continuity planning by better analysing the impacts to critical council functions arising from potential disruptions. It also identified the need to improve testing of business continuity plans, training for staff with business continuity responsibilities, and for updating council's risk register to better account for business continuity risks. The audit committee's report was useful, however, there was little evidence to indicate that council had taken sufficient action to address these issues.

All councils relied on external reviews of their business continuity practices by their insurer. However, these reviews do not provide sufficient assurance that business continuity plans are soundly developed, sufficiently tested and therefore that they will be feasible in the event of a disruption.

These reviews focus on overall property risk management and involve only limited assessments of business continuity planning. For example, they do not assess whether plans contain adequate contingency strategies, if they are underpinned by a rigorous analysis of the potential impacts to critical business functions, or if the plans are adequately tested.

Recommendation

1. Councils should strengthen governance arrangements for business continuity by:
 - developing and endorsing policies on business continuity that establish clear objectives and standards for business continuity management, and provide enough guidance on the procedures needed to develop a rigorous business continuity plan and associated testing regime
 - systematically monitoring and reporting to senior management and council on the effectiveness of their business continuity management framework.
-

3

Identifying and assessing risks to business continuity

At a glance

Background

To develop an effective business continuity plan, councils should identify and assess business continuity risks and analyse the impact of potential disruptions to critical business activities.

Conclusion

Weaknesses in risk identification and assessment meant there was little assurance councils had identified adequate emergency, continuity and recovery responses in their business continuity plans.

Key findings

- Councils need to strengthen their risk management to assure that they identify significant business continuity risks, and properly assess their impacts.
- Only Mildura had attempted a business impact assessment, however, it fell short of good practice.
- There was insufficient assurance councils had comprehensively identified all critical business functions, the potential impacts from disruptions, or the resources and response times needed to assure continuity of operations.

Recommendation

Councils should improve assessments of business continuity risks by:

- strengthening risk management practices to give sufficient consideration to specific business continuity risks
- comprehensively assessing the impact of risks on critical business functions
- identifying the resources and response times needed to assure continuity of operations.

3.1 Introduction

Risk assessment underpins effective business continuity management. It enables councils to identify and prioritise actions to address potential disruption events, based on an assessment of their likelihood and consequence.

Risks identified through this process should be further analysed as part of a wider business impact assessment. The purpose of this assessment is to develop a better understanding of how known risks can affect an organisation's critical operations and what resources and capabilities will be needed to effectively manage the event should it occur. This is an essential step in developing a sound business continuity plan.

Each council's approach to identifying and assessing risk was examined to determine whether:

- it gave adequate consideration to business continuity risks, and if these risks were actively managed and regularly reviewed
- the impact of identified risks was further assessed to determine which business functions were critical, and what resources and actions were needed to support their continuity.

3.2 Conclusion

Weaknesses in risk identification and assessment meant there was little assurance councils had identified adequate emergency, continuity and recovery responses in their business continuity plans and, therefore, that they were sufficiently prepared to manage a disruption event.

3.3 Risk identification and management

Business continuity management is simply risk management that focuses on the risks that could disrupt service provision. It needs to be tightly integrated with councils' risk management frameworks and activities. In this context it establishes the foundation for managing business continuity by setting its scope, needs and priorities.

Standards Australia developed a guide for managing business continuity in 2006. The guide emphasises the importance of effective risk assessment, and as comprising of core activities that include:

- developing an understanding of the organisation's context
- identifying risks that may result in disruption to the achievement of business objectives
- analysing the 'level' of risk, for example, in terms of its likelihood and consequence
- prioritising disruption risks and determining the organisation's tolerance to them
- assessing the organisation's vulnerabilities to these disruption risks
- developing appropriate treatment strategies, including business continuity plans where relevant.

Understanding the context involves developing an awareness of the priorities and operations of the organisation, the nature of the environment in which it operates, and potential sources of disruption. An important first step involves identifying the organisation's objectives and determining which of these are most critical, as it will usually be necessary to prioritise these during a disruption period.

This will normally require consultation with staff, senior managers, councillors, the community and with other stakeholders such as suppliers. It will also require careful consideration of potential disruption risks associated with a range of factors including the physical, the built, the socio-political and market environments. Key issues that need to be considered include:

- natural events and disasters such floods, storm damage, droughts and earthquakes
- the loss of access to key infrastructure including power, communications and roads
- changes to the regulatory environment, statutory obligations, and the changing socio-demographic profile of the community
- changes in the economy, market structure and forces, including labour supply, technology capability and sustainability.

None of the councils examined had established which of their objectives and related services were most critical, nor had they evaluated the full range of disruption risks to achieving their objectives based on a thorough assessment of these factors. Some risks were identified but were mostly high-level and generic in nature, and offered insufficient detail to inform an accurate understanding of the specific threat to business operations. As a result, there was little assurance that risk management practices were effective in comprehensively identifying, assessing and mitigating councils' exposure to business continuity risks, or for informing subsequent business impact assessments.

Figure 3A summarises the issues for each council examined.

Figure 3A
Council risk management practices

Alpine Shire Council

Alpine's organisational risk register identifies risks at the departmental, branch and sub-branch levels. However, only one of council's business units, the Asset Management sub-branch, had identified a business continuity risk. This risk related to the absence of contingency plans to address a critical asset failure. While this risk was relevant to the Asset Management sub-branch, it is just one type of business continuity risk. Others such as the loss of staff, floods, fire, or the risk of industrial accidents had not been identified or assessed.

Of particular concern is the failure to identify loss of IT infrastructure as a significant risk, particularly given that council does not have an IT Disaster Recovery (DR) Plan. While some rudimentary mitigation strategies are in place such as maintaining a backup server and tapes at the Depot, there is insufficient assurance these strategies are adequate in the absence of a rigorously developed IT DR Plan. Council advised it intends to develop an IT DR Plan in the latter half of 2010.

The risk register identifies review periods for individual risks. However, there was no evidence to indicate that individual risks were updated in line with these time frames, or that the register itself was regularly reviewed. This diminishes its value as a tool for managing and monitoring risk.

Corangamite Shire Council

An internal audit at Corangamite in March 2007 reviewed council's risk register to determine the extent to which business continuity risks had been recognised. The audit found that risks to IT systems and data were assessed. However, risks relating to the disruption of other critical functions and services including those associated with the main administration building were not. Council accepted the audit's recommendation to address this issue, however, this had yet to occur.

Council's business continuity plan also indicated that it had been developed based on a risk analysis taking into account council's risk management strategy. However, council's risk register had not been reviewed since December 2006 and as a result there was little assurance the content was relevant or up to date.

The business continuity plan nevertheless identified fire, flood, theft, electrical failure and other disasters as high-level risks to business operations. However, the significance of affected business activities to critical council objectives was unclear as the impact of these risks had not been assessed.

Figure 3A
Council risk management practices – continued

Manningham City Council

Manningham has an integrated organisational risk management framework known as the Safety, Health, Environment, Quality, and Risk Management System (SHEQRMS). The SHEQRMS applies to all council directorates and service units and is audited against recognised management system standards for Quality (ISO 9001), OH&S (AS4801), Environment (ISO 14001) and Risk (AS4360).

SHEQRMS includes an online risk register, with the capability to integrate risks at the corporate, operational and service unit level. The SHEQRMS designates responsibility for identifying, assessing and mitigating risks to individual service units.

Council's business continuity plan contains a list of general threats to the organisation, such as severe weather/flooding; fire; earthquake and storage of hazardous materials. The plan instructs service units to use the SHEQRMS risk register to assess the level of risk of each threat in relation to business interruption and initiate risk controls to eliminate or reduce the risk. However, assessments by these units are general in nature and do not address specific threats to business continuity.

These findings were similarly noted by an external review of council's risk register in March 2010. Council has since initiated action to address this.

Mildura Rural City Council

Risk management at Mildura is supported by the development of risk registers at the branch level. Council has 21 branches, of which 17 had developed registers. Business continuity risks, however, are identified in just three branch registers: Aged and Disability Services, Early Years, and Information Services. In each case, the identified risk is very broad and non-specific (for example, 'risk of event or disaster that disrupts business continuity'), and the impact on critical functions or processes has not been assessed.

Mildura's business continuity plan does not identify specific business continuity risks but assumes a worst case scenario being the partial or full loss of a building. As a result, there is little assurance that other risk events such as the loss of staff, floods, fire, or key infrastructure which also have the potential to disrupt business continuity are effectively mitigated through the plan.

Source: Victorian Auditor-General's Office.

3.4 Business impact assessments

A business impact assessment provides important insights into how disruption risks affect an organisation's critical operations and what resources are needed to continue operating at a minimum acceptable level.

It also identifies the priorities for restoring critical council services. Individual recovery actions associated with these priorities are detailed separately in the business continuity plan.

Specifically, a business impact assessment should:

- consider all council functions, supporting services and associated locations
- assess the potential financial and operational impacts of these functions over time for all identified risks and potential disruption scenarios
- identify the maximum tolerable time period for service outages — also known as the maximum allowable outage

- establish recovery time objectives for the restoration of critical council functions. These should fall within the identified maximum tolerable time periods for service outages
- determine the minimum resources needed to restore critical business functions, in particular people, IT infrastructure, office and specialist equipment and accommodation
- generate a prioritised list of business activities without which the organisation would be unable to achieve its critical business objectives
- be endorsed by senior management and council and reviewed at regular intervals.

3.4.1 Assessing the impact of disruptions to council functions

A business impact assessment should consider both financial and non-financial impacts from disruptions over time. Examples of financial impacts include loss of revenue, opportunity cost and losses due to physical damage or injuries. These losses can accumulate the longer a critical service is disrupted. Non-financial impacts can include damage to reputation, or loss of staff morale and community wellbeing.

Impacts vary depending on which services have been disrupted, the duration of the outage, and on the level of demand for affected services. For example, impacts from disruptions to road maintenance services are likely to be comparatively lower than those associated with disruptions to garbage collection, statutory planning, meals on wheels, and other human services. Lengthy interruptions to the latter services can have significant adverse economic, health and community implications. These effects need to be carefully considered when prioritising the restoration of critical council services following a disruption.

Of the four councils examined, only Mildura had attempted a business impact assessment, however, it generally fell short of good practice. The absence of a rigorous business impact assessment at each council means there is little assurance all critical business functions had been considered, or that their business continuity plans were soundly developed.

Mildura's business impact assessment was conducted in 2006 but does not consider a sufficient range of risks to business continuity and has not been updated since. Assessments are mainly limited to a single worst case scenario of partial or full loss of a building, with 'loss of asset' identified as the main impact for each function examined. This is partly due to weaknesses in risk assessment and the limitations of council's risk register, which only identifies high-level, generic business continuity risks.

While Alpine and Corangamite did not conduct comprehensive business impact assessments, their business continuity plans nevertheless prioritised sites for recovery based on a ranking of the severity of potential disruptions. Manningham's plan similarly identifies priorities for developing contingency plans for its services, based on a limited assessment of the impacts arising from their interruption.

These assessments, however, were not based on a thorough assessment of the possible range of disruption scenarios and associated impacts. Nor did they provide sufficient detail to inform an appropriate continuity and recovery response and, therefore, basis for developing a sound business continuity plan. Manningham has since initiated action to address these issues.

3.4.2 Determining tolerable outage periods and recovery time objectives

None of the councils had rigorously identified the maximum tolerable outage periods by which critical services and functions must be recovered. This meant they were unaware at what point the failure to resume specific functions will result in unacceptable adverse impacts. As a result there was little assurance business continuity plans identified appropriate time frames for restoring critical council services.

Corangamite and Mildura had identified maximum time frames for restoring key functions but these were not rigorously determined, and there was little assurance they were appropriate in all cases for avoiding business failure. For example, Corangamite allocated a standard recovery period of two weeks against every business function. However, this did not take account of the fact that some services, such as aged care and meals on wheels, may need to be restored more quickly than others.

3.4.3 Resource requirements for each critical business function

Councils had identified some resources needed to restore business functions, but in most cases these were not supported by a rigorous assessment of the requirements needed to support continuity. There was insufficient assurance, therefore, that these resources would meet the needs for recovery should a disruption occur.

Corangamite's business continuity plan, for example, did not quantify the resources needed. Instead, it notes they are discretionary and to be determined by directors following an incident. This situation is contrary to good practice as it offers little guidance to staff on what will be required to restore critical functions, and no indication of whether there will be sufficient resources when needed.

At Mildura, continuity plans identify the resources needed to restore assets, instead of specific business services, but the importance of these assets to critical business activities had not been assessed. It was, therefore, unclear whether these resources would adequately support the timely restoration of critical business activities.

Similarly, Alpine's business continuity plan assumes that key resources such as the personnel, communications and IT services, including alternative accommodation needed will be available during a disruption. This situation exposes council to significant risk. A key purpose of a business continuity plan is to plan for events when such resources are not available.

Minimum staffing requirements to support operations

All councils except for Corangamite identified staffing requirements needed to support operations. However, the basis for determining these, including their relationship to critical services was largely unclear. As a result, there was insufficient assurance councils were adequately equipped to mitigate this risk.

Alpine and Manningham had identified the number of staff required to assure continuity of key business units. However, these requirements were not clearly linked to critical functions within these units, or based on an assessment of their priority for restoration.

Less than half of Mildura's business units had identified staffing requirements. These, however, were linked to the restoration of assets instead of critical services. It was also unclear how these requirements had been determined and whether they adequately equated to the minimum levels needed to support the continuity of critical functions.

Restoring critical IT infrastructure

Both Alpine and Mildura do not have IT DR Plans, and as a result there is no comprehensive approach to guide IT continuity and recovery requirements in the event of a disruption. Business continuity plans at these councils provided basic IT-related recovery actions, but there is insufficient guidance on how the resumption of service will be achieved. Mildura advised audit that its IT DR Plan is scheduled for completion in 2010.

Our August 2010 report on the interim results of local council 2009–10 financial audits (2010–11:4) similarly identified the absence of IT DR Plans, including regular review and testing of these, as common weaknesses of other councils' internal control frameworks.

Corangamite and Manningham have comprehensive IT DR Plans that focus on the recovery of IT systems and capabilities. These plans identify the specialist equipment required to restore systems and the contact details of support agencies.

Office and specialist equipment

All councils assigned responsibility for obtaining equipment required to relocate or establish new workstations at the nominated recovery sites in their business continuity plans. This includes items such as office furniture and equipment, fittings, stationery and amenities. Some business continuity plans also contained inventories of existing equipment.

However, all plans could be enhanced by clearly identifying the number and type of equipment needed to support minimum and full service levels. Identifying this up front would better inform the continuity and recovery responses, save valuable time and avoid potential confusion upon activation of the plan.

Alternate facilities and accommodation

All councils' business continuity plans identified alternate work sites in the event of a business disruption event. However, only Manningham and Mildura provided details of alternative accommodation that took into account required floor space, staff numbers, security, availability and access.

Corangamite has identified four alternate work sites in the event of a business interruption. However, all are in close proximity and depending on the disruption event may become inaccessible. Additionally, there is little evidence to indicate that the sites have been selected based on an analysis of needs.

Alpine's business continuity plan identifies arrangements for relocating small teams of key personnel, but does not consider options for relocating larger numbers of staff, such as the 60 that work at the council's main offices. While accommodation options in small shires such as Alpine are limited, this highlights the importance of identifying and documenting appropriate options. Alpine advised that council operations had temporarily closed on a number of previous occasions when a community emergency deemed it necessary. While this may be acceptable as a short-term measure, it is not a satisfactory response to events resulting in long-term disruption.

Recommendation

-
2. Councils should improve assessments of business continuity risks by:
 - strengthening risk management practices to assure they identify and consider the full range of specific business continuity risks
 - thoroughly evaluating the impact of disruption risks on critical business functions
 - identifying the minimum resources and response times needed to assure operational continuity through an effective business impact assessment.

4

Developing a business continuity plan

At a glance

Background

Business continuity plans should be developed to manage the potential impacts from significant disruptions to critical business operations.

Conclusion

Deficiencies in the structure and content of council business continuity plans meant there was little assurance staff would easily understand what they need to do in the event of a significant disruption.

Key findings

- None of the business continuity plans at the councils examined were developed through a sufficiently rigorous process.
- Greater clarity on roles and responsibilities for response actions, and better linkages with other disaster and emergency plans is needed.
- Actions listed in business continuity plans tended to be general in nature and lacked sufficient detail on the specific activities that needed to be performed.

Recommendation

Councils should improve the structure and format of their business continuity plans to:

- provide greater clarity on roles and responsibilities for emergency, continuity and recovery responses
- improve integration with other council disaster recovery and emergency plans.

4.1 Introduction

Business continuity plans are produced from the business impact assessment and provide the basis for managing significant disruptions to critical business operations.

Soundly developed plans have clear action-oriented procedures for responding to disruptions to services. They should guide the reader through each step in the response and recovery process.

4.2 Conclusion

Deficiencies in the structure and content of business continuity plans meant there was little assurance staff would easily understand their responsibilities for emergency actions during a disruption, or the specific continuity and recovery tasks that were needed to efficiently and effectively restore critical council functions.

4.3 Key components of a business continuity plan

A comprehensive business continuity plan addresses the three main phases a council will encounter following a significant business disruption event:

- The emergency phase—this is the initial response to a disruption event. The main purpose of the emergency response is to preserve life and property.
- The continuity phase—this includes the strategies and resources needed to assure the organisation continues to meet its critical business objectives. The main purpose of this phase is the delivery of a minimum acceptable level of performance.
- The recovery phase—this includes the re-establishment of processes, resources and capabilities to meet ongoing operational requirements. This phase focuses on the staged return to optimum performance levels.

Figure 4A summarises the good practice components of a soundly developed business continuity plan.

Figure 4A
Business continuity plan good practice components

Good practice components	Business continuity plan		
	Emergency plan	Continuity plan	Recovery plan
Criteria for activating the plan	✓	✓	✓
Details of specific actions and activities associated with key strategies	✓	✓	✓
Clearly allocated responsibilities for implementing response strategies and activities	✓	✓	✓
Alternates for individuals allocated responsibilities for each response strategy	✓	✓	✓
A communication strategy that identifies:			
• which stakeholders will receive information and who has authority to approve communications	✓	✓	✓
• content and purpose of any communications	✓	✓	✓
• the method and frequency with which information will be provided	✓	✓	✓
Sources and locations for accessing critical resources including:			
• contact lists of staff	✓	✓	✓
• details for external agencies or stakeholders required to enact the response strategies	✓	✓	✓
• IT recovery plans and procedures	(a)	✓	✓
• office and specialist equipment suppliers	(a)	✓	✓
• alternate accommodation options	(a)	✓	✓
An event log, which facilitates recording of events for debriefing and review after recovery is complete.	✓	✓	✓

Note: (a) Components not relevant to an emergency plan.

Source: Victorian Auditor-General's Office.

4.3.1 Developing an emergency response plan

Councils should, as part of their business continuity plan, develop an emergency response plan that includes:

- actions and activities to assure the immediate safety and welfare of individuals affected by a disruption event
- clear roles and responsibilities, including procedures for communicating with emergency services if required
- criteria for activating the business continuity plan.

All councils had business continuity plans that referred to emergency actions in the event of a disruption. However, the quality of these references varied and there were opportunities to improve the plans.

Only Corangamite and Manningham had identified procedures in their plans for accounting for people in the immediate aftermath of a disruption event. Further, while all councils had emergency management manuals and evacuation procedures, only Manningham made explicit reference to these in their business continuity plan.

Emergency actions at Corangamite, Manningham and Mildura were not consolidated into a separate section. Instead, they were scattered throughout their business continuity plans and were mainly documented under the responsibilities of various staff. This made the sequence of actions difficult to identify and understand.

Nevertheless, except for Manningham, all councils clearly allocated responsibilities for liaising with emergency services in their business continuity plans.

On the evening of 24 July 2009, a fire broke out at Manningham's statutory planning offices resulting in a significant disruption to the continuity of its operations. The fire occurred at a time when council was hosting a function attended by over 220 council staff and visitors including the chief executive, most of the executive management team and several councillors. Council invoked its business continuity plan and at the time of this audit was still implementing recovery actions due to the fire's effects.

Council's experience from the fire supports the need to improve its approach to emergency response. Figure 4B outlines valuable insights gained by Manningham following a review of its initial response to the fire.

Figure 4B
Key lessons from Manningham's fire—initial response

Shortly after the fire was detected the Risk Manager arrived on site and referred to the contact list in the business continuity plan to contact members of the Disaster Recovery Team (DRT). However, some members could not be contacted because their home or mobile numbers were not recorded. As alternate officers were not nominated for key roles, the Risk Manager was unable to call on additional resources to assume some of these responsibilities.

A debriefing with the fire services after the event identified that '000' had not been called. The fire service had responded to an automated callout request, anticipating it to be a false alarm. They further indicated that they would have been better prepared for the fire had the alarm been confirmed by a '000' call.

The DRT manager assumed responsibility for liaising with the fire services after arriving on site, however, this responsibility was not documented in council's business continuity plan. Council has indicated that a key lesson from the fire is the need to document this and ensure all employees are aware that '000' should be called in the event of a disaster.

Council established a Disaster Recovery Centre on the night of the fire and the DRT met the following day to determine the response and recovery actions to take. While the business continuity plan was used as a framework, it did not include a succinct initial response plan of chronological emergency actions to take. Building on lessons from the fire, Manningham has since developed a checklist, to better guide its future emergency, continuity and recovery actions.

Source: Victorian Auditor-General's Office, based on information from Manningham City Council.

The business continuity plans of each council made references to procedures for managing trauma and the welfare of staff, and there was evidence that Manningham had implemented these for staff affected by the July 2009 fire.

Councils should establish clear procedures and triggers for invoking their business continuity plan to assist staff in determining when they should activate procedures outlined in the plan. Only Alpine and Mildura had clearly established such procedures. Manningham had commenced action to address this.

4.3.2 Developing continuity and recovery responses

The purpose of the continuity phase is to implement strategies designed to restore disrupted functions and assure the continued delivery of acceptable performance levels. Actions should focus on providing the minimum resources needed to support critical business activities identified through the business impact assessment.

During the recovery phase the organisation should aim to return to normal operating capability and performance. Actions should focus on achieving a phased return to full staffing levels and business capacity.

Adequacy of response actions

It is important to clearly distinguish response activities to clarify their purpose to staff, and to establish a sufficiently clear decision making process to guide transition between the emergency, continuity and recovery phases.

Various response actions had been identified. Corangamite, however, focused on continuity actions only, whereas Alpine, Manningham and Mildura did not clearly differentiate continuity and recovery tasks. This situation can create confusion for staff, and can delay actions to resume critical services.

All councils allocated specific continuity and recovery tasks to individual staff members or teams. However, actions listed in business continuity plans tended to be general in nature and lacked sufficient detail on the specific activities that needed to be performed to adequately acquit each action. Such ambiguity is undesirable as it can lead to confusion for staff on the priority of response actions and can delay the resumption of critical services. This was a challenge faced by Manningham in 2009.

Figure 4C
Key lessons from Manningham's fire—response actions

In the weeks following the July 2009 fire, some confusion on roles and responsibilities emerged as management attempted to undertake both business continuity and business recovery tasks concurrently. In response, Manningham developed a *Catastrophic Large Scale Damage Checklist* and a *Roles and Responsibilities* framework comprising two streams: recovery and business continuity.

The checklist has further clarified key actions to be undertaken in the emergency, continuity and recovery response phases and assigns responsibility for carrying out each task to key staff. Manningham has committed to revising its business continuity plan in 2010 to incorporate these learnings.

Source: Victorian Auditor-General's Office, based on information from Manningham City Council.

Alternate officers should be nominated for all key roles and responsibilities in the business continuity plan in the event the assigned officer is unavailable. None of the councils, however, adequately addressed this.

Alpine and Mildura did not identify alternates for all roles in their business continuity plans. The risk of a team member's absence is mitigated to some extent when recovery tasks are allocated to a team rather than an individual. Manningham's business continuity plan states that 'In the event of an officer being on leave at the time, the Disaster Recovery Team Manager will reallocate tasks'. A similar approach has been adopted by Corangamite.

While this establishes a process to re-allocate tasks following a disruption event, it is better practice to identify alternates at the outset within the business continuity plan so that they can be included in training and review exercises. This assures they are better prepared to carry out their responsibilities if required.

4.3.3 Developing a communications strategy

Good communications with stakeholders is needed when managing a disruption event. This involves providing them with information such as the nature of the disruption event and its impact on critical council services, including details of the emergency, continuity and recovery actions being taken. Consideration should be given to the information needs of different stakeholders such as staff, suppliers, the media, clients and the broader community, including the best method of providing that information.

Councils should develop a communications strategy, as part of their business continuity plan that adequately addresses these requirements. It is good practice for such a strategy to identify the protocols for approving and delivering communications, including templates of pre-scripted messages, where appropriate, to optimise guidance for staff. All councils identified key stakeholders to be informed of a disruption and, except for Manningham, all included a template of a basic media release in their business continuity plan, reflecting good practice.

Both Mildura and Manningham identified the types of information to be provided to key stakeholders. Corangamite and Alpine, however, offered little guidance on this. Alpine included the contact details of key stakeholders in its plan, but did not provide sufficient guidance to staff on the communication methods appropriate for engaging them.

**Figure 4D
Key lessons from Manningham's fire—communication**

Manningham held regular staff briefings following the July 2009 fire. During this time, Council's Communications and Marketing team produced briefing sheets, which provided an update on recovery information for both the public and the media. The briefings were available both online and in hard copy, in line with methods proposed in council's business continuity plan. The events of the fire illustrated that a widespread disaster can strand employees without access to a working land-line, corporate records, or other forms of communication.

Council's Disaster Recovery Team maintained a list of contact details of staff who were working at various locations, using hot desks or temporary portables. The list was published on a daily basis to ensure accuracy and to alleviate anxiety amongst staff who found themselves isolated from their normal working groups. Council also established a central point of contact outside the disaster area and made pre-established telephone numbers available to staff and customers.

Email communication was also quickly established with staff through a process of identifying an alternative email address. The communication provided to staff and customers was up to date and consistent. It also assisted efforts to provide a seamless approach to dealing with day to day customer inquiries, such as bill payment services.

Source: Victorian Auditor-General's Office, based on information from Manningham City Council.

4.3.4 Maintaining an event log

It is important that councils document actions taken during a disruption event in order to note lessons learned and adjust future response strategies as may be required. All councils had established a requirement to maintain an event log, however, only Mildura and Alpine provided templates to assist recording.

Manningham's business continuity plan similarly includes a requirement for staff to maintain a daily diary, but indicates the main purpose of the diary is to assist in recouping recovery costs post-incident. While this is important, the log should also assist in recording decisions made and actions taken, to facilitate continuous improvement.

4.4 Integrating business continuity with other emergency management plans

The Municipal Emergency Management Plan (MEMP) and Human Influenza Pandemic Plan may contain appropriate business continuity responses for particular disruption scenarios. It is, therefore, important for the business continuity plan to refer staff to these actions in such circumstances. It is also important to consider and address potential resourcing issues that may arise from the concurrent activation of these plans.

Municipal Emergency Management Plan

Only Manningham's business continuity plan made specific reference to the requirement that it be reviewed for consistency with the MEMP so that there is no unnecessary overlap. However, Manningham was unable to demonstrate how this occurred.

Potential resourcing issues were evident at all councils arising from the concurrent activation of the MEMP and business continuity plan. Mildura and Corangamite had taken appropriate steps by identifying alternate officers for those staff with potentially conflicting roles in these circumstances. Both councils, however, needed to better document these arrangements. Alpine and Manningham had similar issues but had yet to identify alternate officers. Manningham commenced action to address this during the audit.

Human Influenza Pandemic Plan

Alpine, Corangamite and Manningham had yet to develop their Influenza Pandemic Plans at the time of the audit, despite the requirement having been introduced by the Department of Human Services in 2007.

Only Mildura had developed its Influenza Pandemic Plan. The plan notes that each manager will be responsible for maintaining essential services as identified through the business impact assessment process. However, as previously noted in Part 3 of this report, Mildura's business impact assessment is not current and less than half of all business units had considered staff loss as a risk to business continuity.

Recommendation

3. Councils should improve the structure, format and content of their business continuity plans to provide greater clarity on roles and responsibilities for emergencies, more specificity on continuity and recovery responses, and better integration with other council disaster recovery and emergency plans.

5

Testing and continuous improvement

At a glance

Background

Councils should regularly test and update their business continuity plan and use outcomes from testing to continuously improve their business continuity practices.

Conclusion

Insufficient staff training and review of business continuity activities, meant there was little assurance developed plans would be effective, or that staff were adequately prepared to deal with significant disruptions.

Key findings

- None of the councils examined had an adequate continuous improvement framework for business continuity.
- Limited testing and training opportunities means there is little assurance that business continuity plans are up to date, effective, or that staff will be prepared to deal with disruptions.

Recommendations

Councils should strengthen their continuous improvement frameworks by:

- systematically reviewing the effectiveness of their business continuity activities
- regularly testing business continuity plans
- providing training for all council staff with business continuity responsibilities.

Local Government Victoria should assist councils to develop good practice approaches to business continuity management.

5.1 Introduction

Regular testing, updating and review of business continuity plans assists a council to determine if response strategies are feasible, the actions needed to correct inadequacies, and in assuring that these have been implemented.

It is important therefore, for making sure that developed plans are up-to-date and will be effective when required.

5.2 Conclusion

Limited staff training, together with insufficient testing and review of business continuity procedures provided little assurance that developed plans were up-to-date, effective, or that staff were adequately prepared to implement them in the event of a significant disruption.

5.3 Testing, updating and reviewing business continuity plans

Regular testing of plans assesses the level of staff understanding of their allocated duties and how well the plan will perform in the event of a disruption. The testing process should:

- occur at least annually and be part of a scheduled program
- cover a range of testing formats and include each major component of the business continuity plan and interdependencies
- include a debrief with all of those involved in the test, and document outcomes including key learning and potential improvement actions
- assign responsibility for implementing improvement actions and updating plans following testing.

Plans should be reviewed by senior management and council following testing to assure that the content is relevant, has been appropriately updated, and reflects current business priorities.

Regularly testing the business continuity plan

Mildura has business continuity plans in place for separate sites and was the only council that had established a regular testing schedule. Three exercises have been conducted at the main council administration building since 2007. While this is positive, there was no evidence that Mildura's other business continuity plans had been tested.

Similarly, there was no evidence that business continuity plans have been tested at Alpine or Corangamite. An internal audit conducted at Corangamite in 2007 recommended that council test its business continuity plan at least annually, incorporate a testing schedule within the plan, and that it should report on the outcomes of testing to assure the plan's continued relevance. Council committed to implementing these actions, however, this has yet to occur.

Without regular testing there is no assurance that plans are up to date and feasible in the existing environment or that they will provide sufficient guidance in the event of a business disruption event. Councils, therefore, should use a range of testing methods that comprehensively cover all major components of a business continuity plan to establish such assurance. This was identified as a key lesson from the Manningham fire as outlined in Figure 5A below.

Figure 5A
Key lessons from Manningham's fire—testing

A key lesson Manningham learned from the fire was that disaster drills should include all critical functions and areas, and that they should be tested regularly so that gaps are identified and remedies put in place to close those gaps.

The drills should also be relevant to a specific location and include worst-case scenarios. Manningham advised that it was considering the frequency and scope of future testing strategies with a view to incorporating more thorough functional and full-scale tests of all support operations, services and locations.

Employees will practice using manual back-up procedures, be involved in simulation of situations that involve the restoration of damaged documents, including how to protect staff from potentially harmful exposure to contaminated records.

Manningham found that while comprehensive simulation exercises are resource intensive, they are the only meaningful way to fully test and assess a business continuity plan as opposed to a desktop review.

Manningham intends to use performance assessments after each disaster test to help ensure that each simulation improves the ability to recover from a catastrophic event. After each drill, a review of the results will be conducted to determine what worked well, what went wrong or not as expected, what areas can be improved and what, if any, adjustments to the plans are needed.

Source: Victorian Auditor-General's Office, based on information from Manningham City Council.

The need for comprehensive testing and review

Unless all major components of the business continuity plan are tested, a council will not have assurance that its procedures will be effective. Like Manningham, Mildura should expand the range of formats, locations and scenarios used to test its business continuity plan. To date, all tests have involved the same scenario of a fire destroying part or all of the main administrative building. A wider range of disruption scenarios are needed to more comprehensively test its plan.

Following testing, feedback should be gathered from participants to identify opportunities for improvement. Responsibility for updating plans to reflect learnings from the testing process should also be clearly assigned.

Alpine reviews its primary business continuity plan for the main administrative building on an annual basis, however, plans for other sites are reviewed less frequently. Alpine's business continuity plan sets out a comprehensive review process that involves consultation with senior management on the relevance of plan content. However, in practice feedback received through this process is limited.

Corangamite's plan has been reviewed only once since adopted by senior management in 2005. Therefore there is little assurance that its content is relevant and up-to-date.

Training for staff in business continuity management

All staff with business continuity responsibilities should receive training so they can effectively implement plans in the event of a disruption. Active participation in testing exercises also provides training opportunities. It is also good practice to provide technical training to those responsible for developing and maintaining business continuity plans.

There was little evidence at Alpine, Corangamite and Manningham that council staff with responsibilities for implementing contingency plans had received business continuity training. As a result, there was little assurance they fully understood their roles and responsibilities should the plan be activated.

Similarly, there was little evidence that staff with responsibilities for developing and maintaining the business continuity plans had received technical training to support these activities. The previously noted deficiencies relating to governance, risk identification and assessment, including weaknesses in the development of business continuity plans indicates that councils would benefit from such training.

The consistency of these issues across the councils examined also indicates a need for Local Government Victoria (LGV) to assist councils improve their business continuity practices. LGV advised it does not have the resources to engage an appropriately qualified/skilled consultant to provide business continuity guidance. It has, however, acknowledged that it can assist councils by encouraging them to be more pro-active and focused on business continuity management by providing them with information on good practice.

Recommendations

4. Councils should strengthen their continuous improvement frameworks by:
 - systematically reviewing the effectiveness of their business continuity activities
 - regularly testing business continuity plans to assure they are up to date and effective
 - providing training for all council staff with business continuity responsibilities to make sure they are able to effectively discharge their responsibilities.
5. Local Government Victoria should, further to its work on strengthening the oversight role of audit committees, assist councils to develop good practice approaches to implementing, overseeing and continuously improving business continuity management.

Appendix A.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the Audit Act 1994 a copy of this report was provided to the Department of Planning and Community Development, Alpine Shire Council, Corangamite Shire Council, Manningham City Council and Mildura Rural City Council with a request for comments or submissions. Responses were received from all agencies except Alpine Shire Council.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Submissions and comments received

RESPONSE provided by the Secretary, Department of Planning and Community Development.



Department of Planning and Community Development

Ref CSEC001948

Mr D D R Pearson
Auditor-General
Level 24, 35 Collins Street
MELBOURNE VIC 3000

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Melbourne Victoria 3000
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Dear Mr Pearson

AUDIT ACT 1994, S16(3) – PROPOSED AUDIT REPORT: BUSINESS CONTINUITY MANAGEMENT IN LOCAL GOVERNMENT

I refer to your letter of 4 August 2010 enclosing a copy of the proposed report on Business Continuity Management in Local Government which, I understand, is to be tabled in Parliament in September 2010. Thank you for giving me the opportunity to provide formal comments for inclusion in the report.

The changes made to the draft preliminary report in light of the Department's comments provided in correspondence dated 2 August 2010 have been noted. I am pleased to see that the Department's concerns have been taken into account in finalising the proposed report.

Accordingly, the Department now supports all of the recommendations of the proposed report on Business Continuity Management. Following the tabling of the report, the Department will write to all councils emphasising the importance of business continuity management in the context of risk management and the positive role the audit committee can play in overseeing this. The Department will also commit to providing further guidance on best practice in business continuity management in due course.

Please contact John Watson, Executive Director Local Government Victoria on 9651 7023 or by e-mail at john.watson@dpcd.vic.gov.au should you wish to discuss this matter further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Yehudi Blacher".

Yehudi Blacher
SECRETARY



RESPONSE provided by the Chief Executive Officer, Corangamite Shire Council.



Our Ref: D/10/19287 jc

20 August 2010

Mr D D R Pearson
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

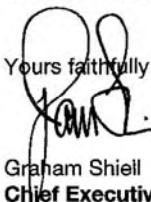
Dear Mr Pearson

Re: Audit Act 1994, s16(3) - Performance Audit Report Business Continuity Management in Local Government

I refer to your correspondence received on 5 August 2010 relating to the proposed Audit Report Business Continuity Management in Local Government and comment as follows:

Council notes the recommendations contained in the Audit Report on Business Continuity Management in Local Government, and specifically the matters raised in relation to Corangamite Shire Council.

Council will review its existing Business Continuity Management plans and strategies in the context of the report, available resources and its assessment of the likelihood and consequences of a disruption to the provision of the various services that it provides.

Yours faithfully

Graham Shiell
Chief Executive Officer

Response VAGO Proposed Audit Report Business Continuity Management in Local Government

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RESPONSE provided by the Chief Executive, Manningham City Council.

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20 August 2010

Mr Des Pearson
Auditor-General
Victorian Auditor General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson

Performance Audit – Business Continuity Management in Local Government

I refer to your invitation to provide comment for inclusion in the Auditor-General's final report.

The catastrophic fire in July 2009, as mentioned in the report, had a significant impact on Manningham City Council, with a final cost approaching \$11.5 million and a 12 month recovery period.

In response to the fire, Council's Business Continuity Plans (BCP) provided the essential framework for identification of tasks to be performed, responsibilities, and for planning for the continuity of service delivery. The BCP provided the foundation for managing the initial response and the recovery planning.

The Auditor-General's report notes that "Manningham successfully maintained business operations following a major fire at its premises in July 2009. This was a positive outcome and largely due to the responsiveness of the management team and staff".

Whilst it is acknowledged that there was a successful maintenance of business operations, the important observation in your report relates to opportunities to improve our planning, testing and the level of detail contained in our business continuity and impact analysis plans.

Testing of a BCP and disaster recovery through simulation is important. Prior to July 2009, Council's exposure to business continuity management had

ABN 61 498 471 081
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RESPONSE provided by the Chief Executive, Manningham City Council – continued.

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largely been contained to minor events and simulations. The exposure of Council staff to the challenges of a major real-life and long-term business continuity situation has heightened our awareness and appreciation of the recommendations contained in the Auditor-General's report.

The recommendations contained in the Auditor-General's report supplement Council's own observations collected during the management of the recovery from the fire in July 2009. The observations and recommendations contained in the Auditor-General's Business Continuity Management in Local Government report regarding Manningham are fully supported, and as you have recorded in the report, the implementation of a number of those recommendations has already commenced.

It is extremely helpful for Manningham, and Local Government in general, to have the benefit of the Auditor-General's findings on this important aspect of governance and service to our community.

Yours sincerely

A handwritten signature in black ink that appears to read "Lydia Wilson".

LYDIA WILSON
Chief Executive

RESPONSE provided by the Chief Executive Officer, Mildura Rural City Council.



Mildura Rural City Council

"The Most Liveable, People Friendly Community in Australia"
A.B.N. 42 498 937 037

File 06/02/01
19 August 2010

Mr D D R Pearson
Auditor General
Auditor General Victoria
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson

**PROPOSED REPORT OF THE PERFORMANCE AUDIT OF BUSINESS
CONTINUITY MANAGEMENT IN LOCAL GOVERNMENT**

Thank you for your letter dated 4 August 2010, concerning the proposed report *Performance Audit of Business Continuity Management in Local Government*.

We are pleased to have taken part in this audit process. I note your findings that business continuity plans have not been developed through a sufficiently rigorous process and accept your recommendations on these matters.

I would also acknowledge that whilst we have undertaken significant efforts to reach the stage we have in the development of our business continuity plans, there are improvements to be made. This will pose significant challenges for Council given we manage ten percent of the state geographically and as a result our resources are thinly spread.

Mildura Rural City Council does score quite highly in many areas of risk management and we are seeking to bring business continuity planning up to this high standard.

I thank you for this opportunity to comment on the proposed report.

Yours sincerely

MARK HENDERSON
CHIEF EXECUTIVE OFFICER

MW/MH/jad

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Auditor-General's reports

Reports tabled during 2010–11

Report title	Date tabled
Portfolio Departments: Interim Results of the 2009–10 Audits (2010–11:1)	July 2010
Taking Action on Problem Gambling (2010–11:2)	July 2010
Local Government: Interim Results of the 2009–10 Audits (2010–11:3)	August 2010
Water Entities: Interim Results of the 2009–10 Audits (2010–11:4)	August 2010
Public Hospitals: Interim Results of the 2009–10 Audits (2010–11:5)	September 2010

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