

VICTORIA

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Victorian  
Auditor-General

Audit summary  
of  
Business Continuity  
Management in Local  
Government

Tabled in Parliament  
1 September 2010

# 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.	<p>Councils should strengthen governance arrangements for business continuity by:</p> <ul style="list-style-type: none"> <li>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</li> <li>systematically monitoring and reporting to senior management and council on the effectiveness of their business continuity management framework.</li> </ul>	8
2.	<p>Councils should improve assessments of business continuity risks by:</p> <ul style="list-style-type: none"> <li>strengthening risk management practices to assure they identify and consider the full range of specific business continuity risks</li> <li>thoroughly evaluating the impact of disruption risks on critical business functions</li> <li>identifying the minimum resources and response times needed to assure operational continuity through an effective business impact assessment.</li> </ul>	17
3.	<p>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.</p>	27
4.	<p>Councils should strengthen their continuous improvement frameworks by:</p> <ul style="list-style-type: none"> <li>systematically reviewing the effectiveness of their business continuity activities</li> <li>regularly testing business continuity plans to assure they are up-to-date and effective</li> <li>providing training for all council staff with business continuity responsibilities to make sure they are able to effectively discharge their responsibilities.</li> </ul>	33
5.	<p>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.</p>	33