



# Implementation of the Government Risk Management Framework

Victorian Auditor-General's Report  
Tabled 30 October 2013



## The Victorian Auditor-General's Office

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- **Purpose** – assurance to Parliament on the accountability and performance of the Victorian public sector.
- **Legislation** – *Audit Act 1994* defines powers and responsibilities of the Auditor-General and the Victorian Auditor-General's Office.
- **Mandate** – financial and performance audits of around 550 entities.



## Background to the audit

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- Effective risk management is essential for the development and delivery of quality government services.
- VAGO's 2007 audit identified the management of interagency and statewide risks as a significant weakness.
- The *Victorian Government Risk Management Framework* (the Framework) was introduced in 2007 and updated in 2011.
- It is timely to examine the progress made in improving how the Victorian public sector manages risk.



## Audit objective

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Examine the Framework's effectiveness by assessing whether:

- it supports good practice
- the Department of Treasury and Finance (DTF) and the Victorian Managed Insurance Authority (VMIA) provide adequate support and guidance to agencies
- agencies adequately acquit their Framework responsibilities.

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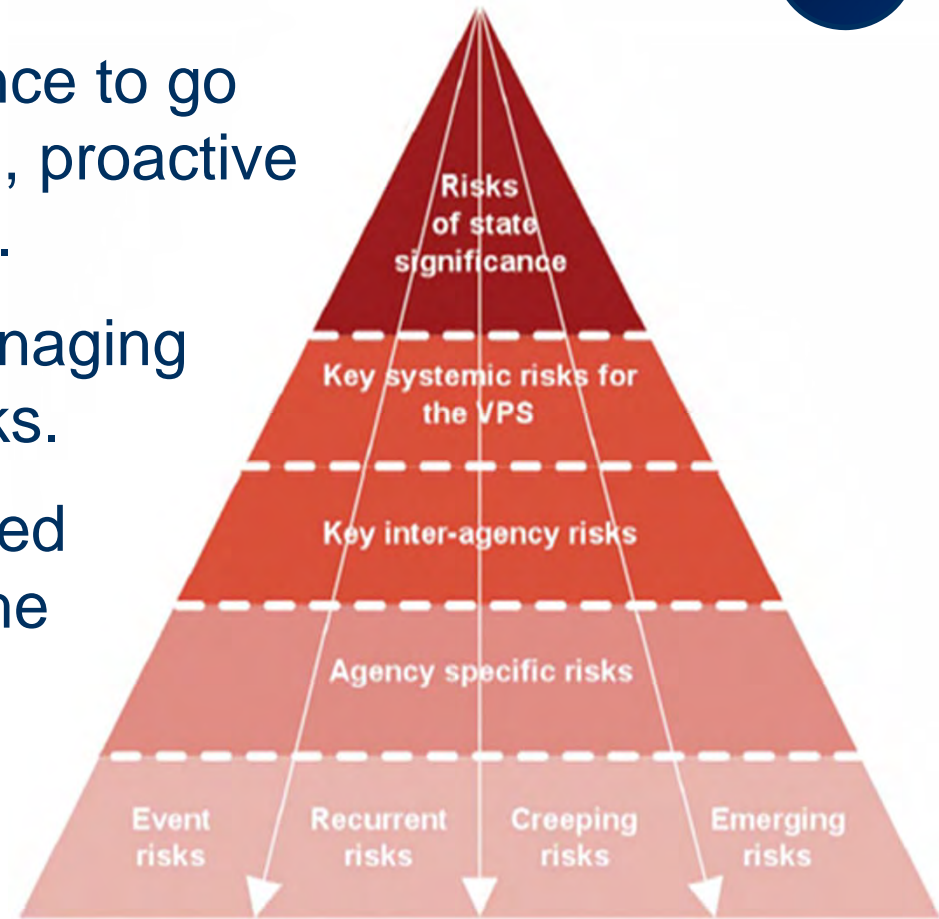
Department of Treasury and Finance

Victorian Government  
Risk Management  
Framework  
March 2011



## Audit conclusions

- The Framework helped improve agencies' risk management.
- However, there is some distance to go towards a consistently applied, proactive and outcome driven approach.
- The most important gap is managing interagency and statewide risks.
- Government is not well informed on the key vulnerabilities for the state.
- Progress to address this gap has been slow and this needs to change.



Source: Victorian Government Risk Management Framework.

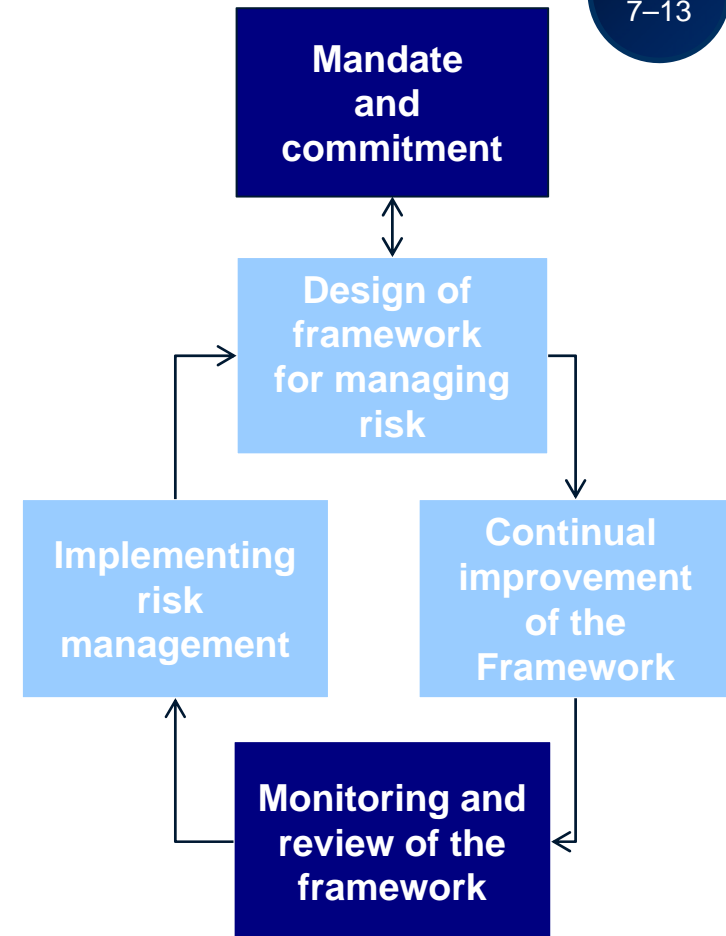


# Findings – The current risk management framework

## The Framework:

- is soundly based on the principles of the Australian/New Zealand risk management standard: AS/NZS 31000:2009 (the AS/NZ standard)
- improved risk management and made agencies more accountable for applying the AS/NZ standard
- needs to be strengthened and provide greater clarity to agencies about minimum requirements for effective risk management.

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Source: AS/NZS ISO 31000 : 2009 - International Risk Management Standard, Figure 1, pvi



## Findings – Guiding and supporting risk management

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- VMIA does a reasonable job in helping agencies to apply the Framework.
- The most important gap in VMIA's guidelines is about how agencies manage interagency and statewide risks.
- VMIA intends to develop a learning and development strategy to better focus its training and support.
- The information provided to government is not sufficient for it to understand the significance of the risks faced by the public sector.

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## Findings – Applying the Framework

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- Agencies are largely, but not fully, following the Framework.
- The most significant area for improvement is applying the Framework to interagency and statewide risks.
- VAGO found issues with annual attestation statements and the reporting of under-deductible insurance claims.
- Further areas where agencies need to improve:
  - documenting risk analysis and showing that it is comprehensive
  - improving the assessment and management of treatments
  - better embedding and communicating good risk practices
  - using appropriate performance indicators to judge performance.

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## Recommendations summary

	Accept
That DTF work with VMIA to	
<ul style="list-style-type: none"><li>• develop, communicate and monitor a framework for managing interagency and statewide risks</li></ul>	✓
<ul style="list-style-type: none"><li>• update the Framework to clearly articulate minimum requirements for effective risk management</li></ul>	✓
That DTF address VAGO's 2007 recommendations	✓
That VMIA	
<ul style="list-style-type: none"><li>• Update the guidelines to reflect the updated Framework</li></ul>	✓
<ul style="list-style-type: none"><li>• Develop a learning and development strategy to guide and focus its support and training activity.</li></ul>	✓



## Related reports

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- *Managing Risk Across the Public Sector: Toward Good Practice* (2007:12)
- *Promoting Better Health Through Healthy Eating and Physical Activity* (2007:10)
- *Planning for Water Infrastructure* (2007–08:16)
- *Maintaining the Integrity and Confidentiality of Personal Information* (2009–10:8)
- *Irrigation Efficiency Programs* (2009–10:29)
- *Public Transport Performance* (2011–12:20)
- *Managing Traffic Congestion* (2012–13:25)
- *Developing Transport Infrastructure and Services for Population Growth Areas* (2013–14:2)



## Contact details

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