Comcover
Risk Management Benchmarking Program 2019
Key Findings Report

June 2019

Contents

Inherent Limitations

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Comcover personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

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21 June 2019

Dear Tracie-Ann

Re: Risk Management Benchmarking Program – 2019 Key Findings Report

We are pleased to provide Comcover with our observations in relation to the key findings of the 2019 Risk Management Benchmarking Survey.

Should you have any questions or comments, please do not hesitate to contact me on (03) 9671 7261.

Yours sincerely

Matthew Fraser
Partner
Deloitte Touche Tohmatsu

Executive summary

1 Executive summary

1.1 Program overview

The Risk Management Benchmarking Program (the Program) is a key element of Comcover's risk management services. While a risk management benchmarking program has been in place for a number of years, the current iteration of the Program was first implemented in 2015. Over the last five years, Fund Members have completed an annual self-assessment survey that measures the maturity of an entity's risk framework against the following nine elements of the Commonwealth Risk Management Policy (the Policy)[1]:

Element 1 Establishing a risk management policy	**Element 2** Establishing a risk management framework	**Element 3** Defining responsibility for managing risk
Element 4 Embedding systematic risk management into business processes	**Element 5** Developing a positive risk culture	**Element 6** Communicating and consulting about risk
Element 7 Understanding and managing shared risk	**Element 8** Maintaining risk management capability	**Element 9** Reviewing and continuously improving the management of risk

The Program is based on a six state maturity model, as illustrated below:

These six maturity states are described for each of the nine elements of the Policy at: https://www.finance.gov.au/sites/default/files/risk-management-capability-maturity-levels-2019.pdf.

Participating Fund Members are able to access and utilise their benchmarking survey results over the full five-years of the current Program to assist in identifying areas for improvement, prioritise risk management activities and track progress against these improvement initiatives over the life of the Program.

This Key Findings Report serves to inform Comcover on the capability and risk management performance of its participating Fund Members collectively against the Policy by providing analysis of the following:

- Overall Fund findings for each of the nine elements
- Achieved and target maturity at the element level, and
- Current and emerging risks.

[1] The colours used in this graphic align with the actual average maturity achieved for each element in 2019.

1.1.1 Participants and results

In 2019, the Survey was completed by 155 General Government Sector entities, which is an increase of five additional entities participating In the Program when compared with the prior year.

Table 1 below, depicts that for each year of the current Program, the average overall risk management maturity of the Fund has increased on prior year results within the *Integrated* state. The total percentage increase over this time has been 12%, demonstrating a gradual, yet consistent improvement in risk management capability across the Commonwealth year-on-year.

Table 1 – Element and Overall Fund Maturity (2015 – 2019)

Year / Element	2015	2016	2017	2018	2019	Change over five years (%)
1. Establishing a risk management policy	4.04	4.16	4.17	4.23	4.31	7%
2. Establishing a risk management framework	3.55	3.79	3.77	3.85	3.92	11%
3. Defining responsibility for managing risk	3.67	3.87	3.90	3.97	4.06	11%
4. Embedding systematic risk management into business processes	3.75	4.04	4.05	4.11	4.17	11%
5. Developing a positive risk culture	2.75	3.01	3.08	3.16	3.17	15%
6. Communicating and consulting about risk	3.26	3.43	3.47	3.49	3.58	10%
7. Understanding and managing shared risk	2.46	2.90	2.87	3.06	3.17	29%
8. Maintaining risk management capability	2.37	2.61	2.68	2.77	2.81	18%
9. Reviewing and continuously improving the management of risk	3.28	3.52	3.50	3.54	3.59	10%
Overall maturity score of the fund	**3.28**	**3.53**	**3.55**	**3.61**	**3.68**	**12%**
Overall maturity level	Integrated	Integrated	Integrated	Integrated	Integrated	

Legend

Fundamental (0 to <1) | **Developed (1 to <2)** | **Systematic (2 to <3)** | **Integrated (3 to <4)** | **Advanced (4 to <5)** | **Optimal (5 to 6)**

The increase in the average maturity of the Fund this year can again be attributed to increases in the average maturity of all of the nine elements of the Policy. Over the five years of the current Program 2017 has been the only year where a decrease in element maturity has occurred for three elements (Element 2. Establishing a Risk Management Framework, Element 7. Understanding and Managing Shared Risk, and Element 9. Reviewing and Continuously Improving the Management of Risk*)*. However, we acknowledge that the gains realised for these elements in 2018 were greater than the decreases recorded previously. In fact, Element 7 has ultimately attained the highest percentage increase of maturity of all nine elements, more than double that of the overall Fund.

Over the five years of the current Program, while the average maturity of the Fund has increased, and the maturity state attained by some individual elements has changed, the order in which they are ranked from highest to lowest average maturity score has remained consistent over this time.

As such, the 2019 survey results have shown that once again the highest scoring elements across the population, in descending order are:

- Element 1. Establishing a risk management policy
- Element 4. Embedding systematic risk management into business processes
- Element 3. Defining responsibility for managing risk.

This year was the first year of the current Program where each of the above elements achieved the *Advanced* maturity state. While these foundational elements have consistently been the highest rated in terms of percentage maturity score, incremental increases in maturity have been realised for each year of the Program.

The following elements have been identified as the lowest scoring for each of the five years of the Program, in descending order:

- Element 8. Maintaining risk management capability
- Element 7. Understanding and managing shared risk
- Element 5. Developing a positive risk culture.

Each of these elements initially recorded an average maturity of *Systematic* in 2015 and have continually improved over the five years, with only Element 8 remaining *Systematic* in 2019. Importantly, each of these elements has achieved an average percentage improvement in maturity greater than that of the overall Fund from 2015 – 2019.

Unlike 2018 where each of these three elements also recorded the largest percentage increase on the prior year, only Element 7 did so this year, with Element 5 actually recording the lowest percentage improvement on 2018. However, like the 2018 results, each of these elements also had the largest number of entities not meeting their target maturity, indicating that while entities are continuing to seek to improve these more complex areas of risk management, improvement initiatives may require additional time to embed and evolve.

These and other key insights from this report are highlighted on the infographic in section 1.2 and summary of key findings in section 1.3. Detailed analysis against each element is provided in Section 2.3.

1.2 Element insights

The following graphic provides a high-level overview of the average performance of each of the nine elements of the Policy. Further detail is provided in Section 2.3. *Risk management capabilities – element state analysis.*

Element	Insights
Establishing a risk management policy 1	• Highest performing element for the 5 years of the current Program • The only element to maintain an average maturity rating of *Advanced* for each year of the Program
Establishing a risk management framework 2	• While this element has maintained an average maturity within the Integrated state, the average maturity has consistently been greater than the overall average maturity of the Fund • 84% of entities achieved an average maturity of *Integrated* or above
Defining responsibility for managing risk 3	• Achieved an average maturity of Advanced for the first time in 2019 (the only element to change maturity states in this survey year) • 85% of entities either met or exceeded their target maturity state for this element
Embedding systematic risk management into business processes 4	• Second highest performing element for fifth consecutive year, increasing from *Integrated* maturity in 2015 to *Advanced*, which has been maintained since 2016 • 87% of entities either met or exceeded their target maturity state
Developing a positive risk culture 5	• Recorded the third-highest percentage improvement in maturity from 2015 – 2019 of all elements • Recorded the smallest percentage improvement on 2018
Communicating and consulting about risk 6	• Recorded the second largest percentage improvement in maturity on 2018 • The only element not to have any entities achieve *Optimal* maturity for two consecutive years of the Program
Understanding and managing shared risk 7	• Recorded the largest percentage improvement in maturity for two consecutive years (2018 and 2019) • Has also recorded the largest percentage improvement in maturity over the five years of the Program
Maintaining risk management capability 8	• The lowest performing element for the five years of the Program, yet increased in average maturity by the second highest amount during this time • 52% of entities did not meet their target maturity state
Reviewing and continuously improving the management of risk 9	• Has recorded the third lowest percentage improvement in maturity over the life of the current Program and the second lowest percentage improvement in maturity of all elements in 2019 • 74% of entities attained a maturity state of *Integrated* or above

Legend

Fundamental → **Developed** → **Systematic** → **Integrated** → **Advanced** → **Optimal**

1.3 Summary of key findings

Presented below is a summary of the key findings noted through our review of the survey responses this year, and the element, or elements, which they relate to. The detailed findings and other analysis is discussed in sections 2 to 4 of this report.

#	Key finding	Related element(s)
1.	**The overall maturity of the Fund continues to develop** *(Refer section 2.1: Overall performance of the Fund)* This year for the first time, 80% of the Fund has achieved an overall maturity of either *Integrated* or *Advanced,* with the overall maturity of the Fund deemed *Integrated*. Over the five years of the current Benchmarking Program, while the overall maturity of the Fund has remained within the *Integrated* state, 12% increase in maturity has been realised. Overall attributes of entities that achieve *Integrated* maturity include: • Risk Management Framework being part of the overarching governance and management framework • Risk appetite statements include qualitative and quantitative elements which are linked to strategy and communicated to all staff • Regular review of the risk management program to identify improvement opportunities • Readily accessible risk information and data maintained in a central repository. Over the last five years of the survey there has been consistent numbers of entities attaining *Fundamental* to *Systematic* levels of overall maturity. The survey data and consultation with entities indicates that risk management capabilities are often reset following a large-scale operational or structural change. This suggests that entities who re-assess their risk management capability in conjunction with the new operating environment are understanding the intent of the Commonwealth Risk Management Policy, in that, risk management systems and practices should be commensurate with the scale and nature of their entity's risk profile.	All elements, with a particular focus on Element 9. *Reviewing and continuously improving the management of risk*

#	Key finding	Related element(s)
2.	**The average maturity of all elements has increased for two consecutive years** *(Refer sections 2.2: Average maturity across the elements, and 2.3: Risk management capabilities – element state analysis)* This year, for the first time there are now three elements achieving an average maturity of *Advanced* and four elements that achieved an average maturity greater than that of the overall Fund. As a result, the average growth of all nine elements this year was slightly higher than results recorded in 2018 (1.94% compared to 1.90%), however, the growth was much more evenly distributed over the nine elements: • 2019 range: 0.3% - 3.58% • 2018 range: 0.4% - 6.7%. There are a number of contributing factors that explain the 2019 results: • As element maturity increases, entities need time to operationalise and embed these changes before further gains in maturity can be realised for those elements • As element maturity increases, factors contributing to subsequent increases in maturity become more complex and interdependent on other Policy elements, requiring more time to develop and implement • As element maturity increases, entities may be close to, or at their target maturity focusing on maintaining rather than increasing element maturity. Consultation with entities has identified that many entities have undertaken a critical evaluation of their survey responses where they have felt that their results may have been higher than anticipated in recent years. The willingness to undertake this evaluation demonstrates an increase in risk management maturity and capability as entities seek to scrutinise processes against their current understanding and awareness of the requirements and intent of the Policy. It is important for entities to recognise that the Benchmarking Program is a tool to assist entities to build their risk management capability and does not provide a measure on the effectiveness of each element in operation.	All elements

#	Key finding	Related element(s)
3.	**Slowed growth of element target maturity** *(Refer section 3: Target maturity findings)* The Benchmarking Program requires entities to identify their target maturity state for each of the nine elements of the Policy. The target state should be reflective of the entity's size, complexity and risk culture. It should be used to assist entities identify where investment in risk management activities can be directed to support the achievement of their strategic and operational objectives. Consultation with entities over the life of the current Program has identified many approaches to the setting of targets. We have found that there can be many forces that impact this decision, including but not limited to: • Setting targets for where the entity hoped to be in the current year (rather than in the next twelve-months) • Setting long-term aspirational targets (beyond twelve-months) • Reluctance to set targets at a 'lower' maturity state. Similar to 2018 results, we found that in 2019 the target maturity for all nine elements was higher than the average overall maturity of the Fund. However, unlike previous years where target maturity for individual elements has consistently increased, there were three elements this year where target maturity did not increase from the average targets set in 2018 (Elements 2, 6 and 9). Overall there was very little movement in the average element target state from 2018 – 2019. This, together with the overall growth in the maturity of the Fund resulted in an overall increase in the proportion of entities achieving their target maturity. *Element 6 - Communicating and Consulting About Risk* is a good example of this which saw a significant increase in the number of entities either meeting or exceeding their target maturity. While the Program recognises that risk management must be fit-for-purpose, and as such, not all entities should be striving for *Optimal* maturity, entities should also be considering how the maturity of one element may have consequential impacts on the maturity of the other elements of the policy. When a target maturity is achieved, entities have the opportunity to critically evaluate their target maturity for all elements.	All elements, with particular focus on Element 6. *Communicating and consulting about risk*

#	Key finding	Related element(s)
4.	**Entities have re-evaluated their top five current and emerging risks in 2019** *(Refer section 4: Current and emerging risks)* A core component of an entity's risk management framework is the mechanisms to identify, analyse and measure those current, future and emerging risks which are critical to the achievement of the entity's strategic purpose. The frequency and way in which this information is collated and communicated impacts the ability of the entity to manage these risks. Entities are asked to identify the 'top five' current and emerging risk categories as a part of the Benchmarking Program. While the top four current sources of risk remain unchanged from not only 2018 but also 2017, the order in which entities have prioritised these risks has changed. The top four current risks in 2019 were: • Service and / or program delivery • People • Financial • Stakeholder Management. Historically, Financial risk has been rated by entities as both the top current and emerging risk, however in 2019, Financial risk has decreased to third highest current risk and fourth highest emerging risk. Further technology continued the upward trend experienced in 2018 as an emerging risk (where it went from fourth to second) to become the highest priority emerging risk in 2019. We also note that entities have for the first time rated Technology as the fifth highest current risk. These results suggest there will be a continued focus and importance of Technology related risks in the coming years. This risk category prioritisation at the overall Fund level provides a mechanism for entities to gain further insights into their current and emerging risk sources by comparing results against their self-select peer group (which compares eight other entities). This information is available through the *Benchmarking Interactive Reporting Tool* (BIRT).	Element 2. *Establishing a risk management framework*, and Element 6. *Communicating and consulting about risk*

Overall Fund findings

2 Overall Fund findings

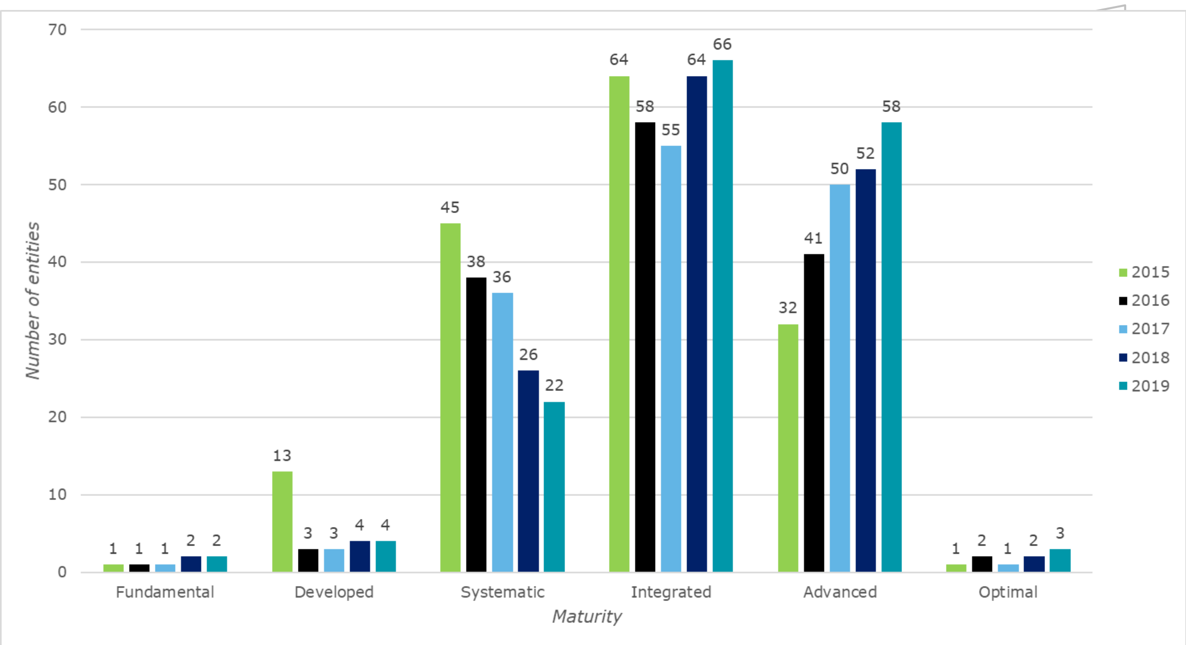
The following section provides commentary relating to survey results at both an overall entity level, and by each of the nine elements of the Policy.

2.1 Overall performance of the Fund

Survey results are collated to determine not only an overall average maturity of the Fund, as referred to in Section 1.1.1, but provide individual entities with their own overall maturity score. Graph 1, below, depicts the distribution of overall maturity scores for participating entities over the life of the current Program.

2.1.1 Maturity distribution

Graph 1 – Distribution of maturity levels achieved by participant's overall



The results of this year's Program identified that in excess of 80% of entities achieved an overall risk maturity state of *Integrated* or above, which is a significant increase in results over the five-year period where only 62% of entities reached a maturity state of *Integrated* or above in 2015.

Unlike previous years which have seen dramatic shifts in the proportion of entities achieving a particular maturity state (e.g. the reduction in entities recording *Systematic* maturity from 25% in 2017 to 17% in 2018), more subtle changes were observed in 2019. *Systematic* maturity again decreased from 17% to 14% of entities, while the percentage of entities achieving an overall maturity of *Advanced* increased from 35% to 37%.

These results coupled with the target-state analysis provided in Section 3 of this report, suggest that at year five of the current Program, entities have been able to put into practice processes that not only enable them to maintain their maturity obtained in the prior year, but now also incrementally improve their risk management capability as focus shifts from the more 'foundational' elements to those more complex. These results once again align to the Program's objectives – assisting entities to continuously improve their practices year on year in order to build greater resilience in a rapidly changing risk environment.

2.2 Average maturity across the elements

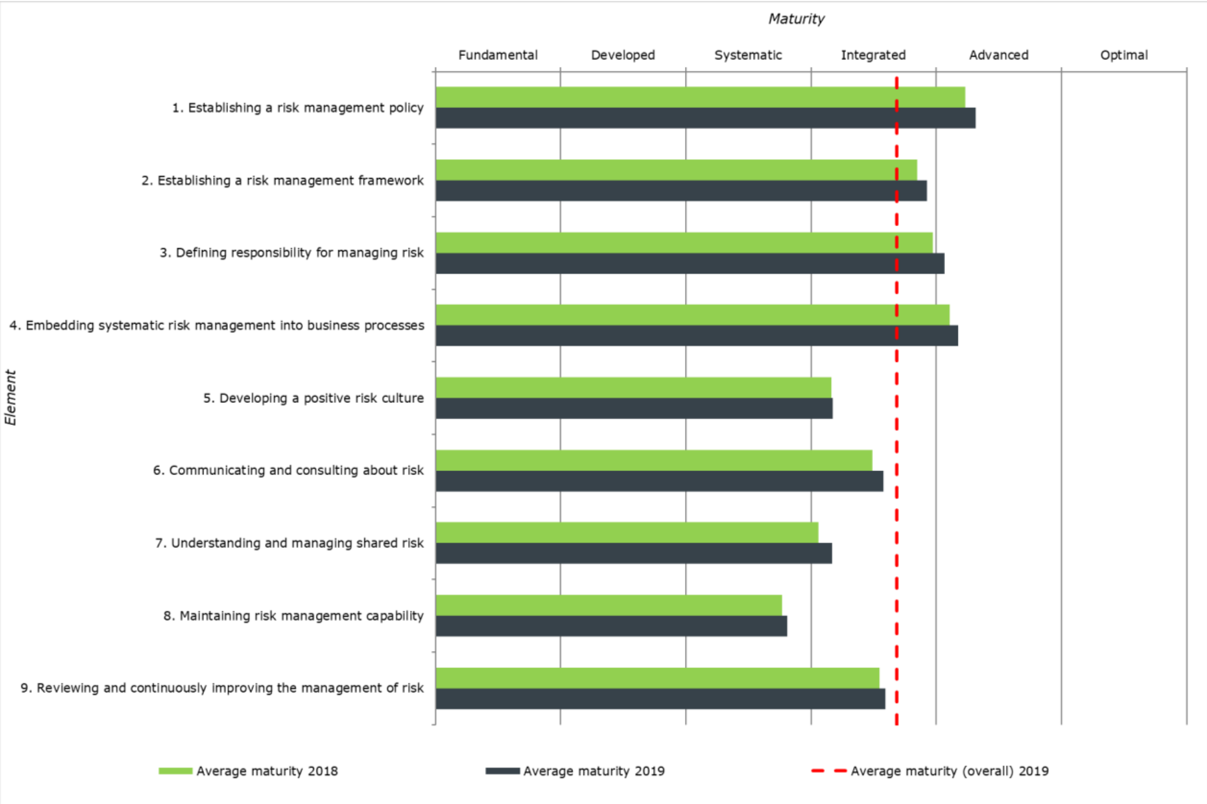
When considering the average maturity rating of each of the nine elements of the Policy, it is important to recognise that the concepts underpinning each element range in complexity and consequently some variability in maturity across the elements is to be expected. For example, Elements 1 to 4, and 9 are considered to represent the foundational elements of risk management and require the development and implementation of documents and tools to facilitate risk management practices. Elements 5 to 8 are considered more complex as they are more reliant on human factors such as capability and capacity, which can often take time to influence or change.

Given risk management practices should be fit-for-purpose, entities may not always be striving towards *Optimal* maturity, either at an overall or individual element level. The benchmarking program asks entities to consider their desired target maturity for each element, details of which are provided in Section 3 of this report.

2.2.1 Risk management capabilities

Graph 2 below, depicts the average maturity of the Fund for each of the nine elements.

Graph 2 – Performance of the Fund across each element



There has been a positive increase in the maturity of each element this year from 2018, which indicates that entities are continually striving to improve. Consistent with the overall Fund maturity, the rate of growth at an individual element level has evened out, with the largest improvement being realised for Element 7 of 4%. Not only have improvements been realised at the traditionally lower performing more complex elements, but 2019 has been the first survey year where three elements have now received an overall average maturity of *Advanced*, with Element 3 (the third highest performing element) recording a 2.3% increase in maturity.

Despite recording an average overall growth in maturity of 18% over the five year Program (the second highest of all nine elements), Element 8 remains the only element at an overall average maturity of *Systematic*.

2.3 Risk management capabilities – element state analysis

This section of the report provides details of the survey results for each of the nine elements. For each element, a definition and context, overview of the survey results and further analysis of key survey questions is provided. The survey questions and capability assessment has been largely unchanged for the last five years, enabling a consistent basis to undertake year-on-year comparisons of survey results.

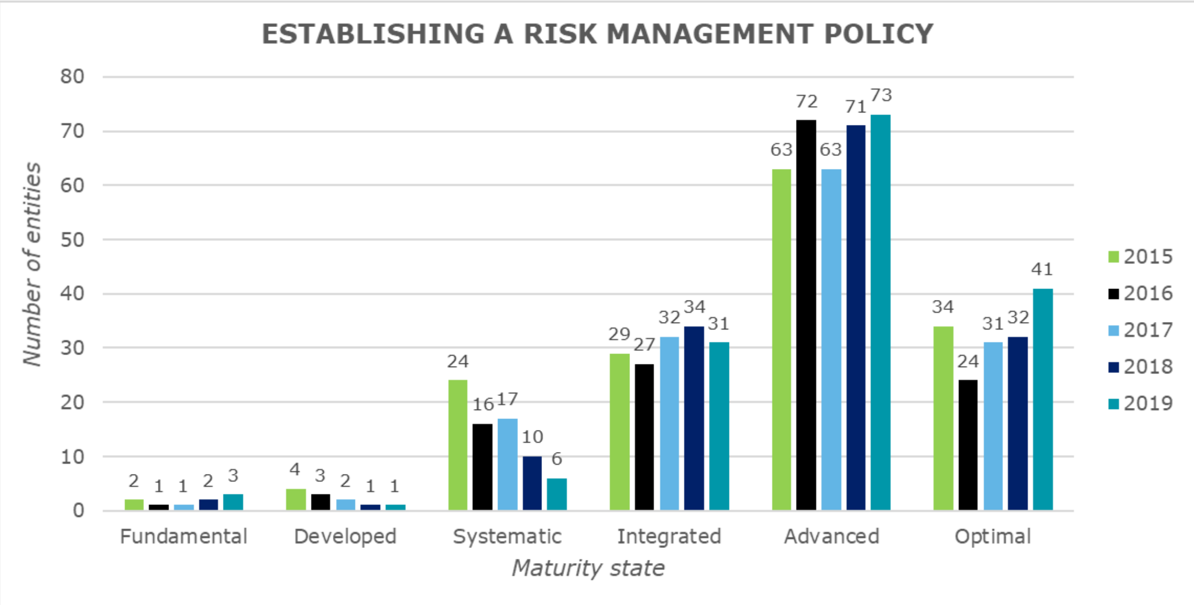
Element 1 – Establishing a risk management policy		Advanced	#1 Maturity score

Definition and context

An entity's risk management policy defines the linkages between risk and strategy within the entity. The policy is a critical foundational element to communicate the principles, objectives, accountabilities, responsibilities and expectations of how risk is to be managed, and ensure a common understanding and application across the entity. It is important to consider risk appetite and tolerance in a risk management policy, as it provides guidance on how much risk officials can take for each source or category of risk and empowers them to make considered and appropriate risk-based decisions.

The Commonwealth Risk Management Policy, effective from 1 July 2014, references Section 16 of the PGPA Act (2013), which requires accountable authorities of Commonwealth entities to establish and maintain appropriate systems of risk oversight, management and internal control. As such, an entity specific risk management policy is a key element to ensure compliance with the Act.

Analysis overview



Element 1 has consistently been the highest performing element across the Fund and the only element to achieve an *Advanced* maturity over the five years of the current Program. In excess of 60% of fund members have recorded either *Advanced* or *Optimal* maturity for this element each year, increasing to 74% in 2019.

As a result of the consistently high overall maturity for this element, growth over the five years of the Program has been the lowest of all nine elements at 7%, which is below the overall growth of the fund realised of 12%. Interestingly however, Element 1 recorded the fifth largest increase in maturity from 2018 - 2019, which can be attributed to a large increase in entities recording an *Optimal* maturity.

Response drill-down

In considering the four mandatory requirements of the Policy for Element 1, this year, the survey results demonstrated that with the exception of the number of entities with a risk management policy, inclusion of these requirements have continued to increase:

- 98% of entities have a risk management policy (three of the 155 participating entities reported not having an entity specific risk management policy)
- 95% of entities risk management policies define the approach and rationale for the management of risk, while 82% agree that their policy provides a clear link to the objectives of their entity, and how risk management contributes to their achievement. This is a 3% increase on the prior year
- 98% of entities have defined their risk appetite, which is a 2% increase on 2018 survey results
- 99% of entities with a risk management policy note that their policy includes accountabilities and responsibilities for the management of risk, while 95% also outline the accountabilities and responsibilities for implementing the risk framework (which is a 2% increase on the prior year), and
- 96% of entities have their risk management policy endorsed by the entity's accountable authority.

While the majority of entities have identified as meeting the Policy requirements, consistent with the overall increase in maturity of the fund, the survey has also demonstrated an increase in adoption and inclusion of more complex matters that demonstrate entities understanding of risk management concepts. Two key areas where this is evidence are:

1. *Approach to risk management*

This year saw a record number of entities with a risk management policy identifying that their policy includes their entity's vision for risk management. This is an increase of 15% over the life of the current iteration of the Program, not only indicating that entities are actively reviewing and refining their risk management artefacts on a periodic basis, but also that these artefacts are being updated to reflect the increasing maturity and capability of the entity.

Further, the survey demonstrates that entities are better appreciating the importance of communicating these changes, with 83% of entities noting that the risk management policy is communicated to all staff to advise of any updates, which is a 13% increase in positive responses over the life of the current Program.

2. *Risk appetite and tolerance*

Risk appetite and tolerance statements provide officials with an understanding of the entity's acceptable risk levels. While 98% of entities have identified as having defined their risk appetite, we have seen significant increases in more complex risk appetite concepts over the life of the current Program, including:

- A 33% increase in the number of entities that have qualitative risk appetite statements for risk categories. Three quarters of all fund members now provide this level of detail in their Risk Management Policy
- 65% of entities (an increase of 10% since Program inception) have developed a methodology to explain their approach to defining risk appetite. Details such as these serve as important tools and resources for officials to enhance their risk management capability and understanding.

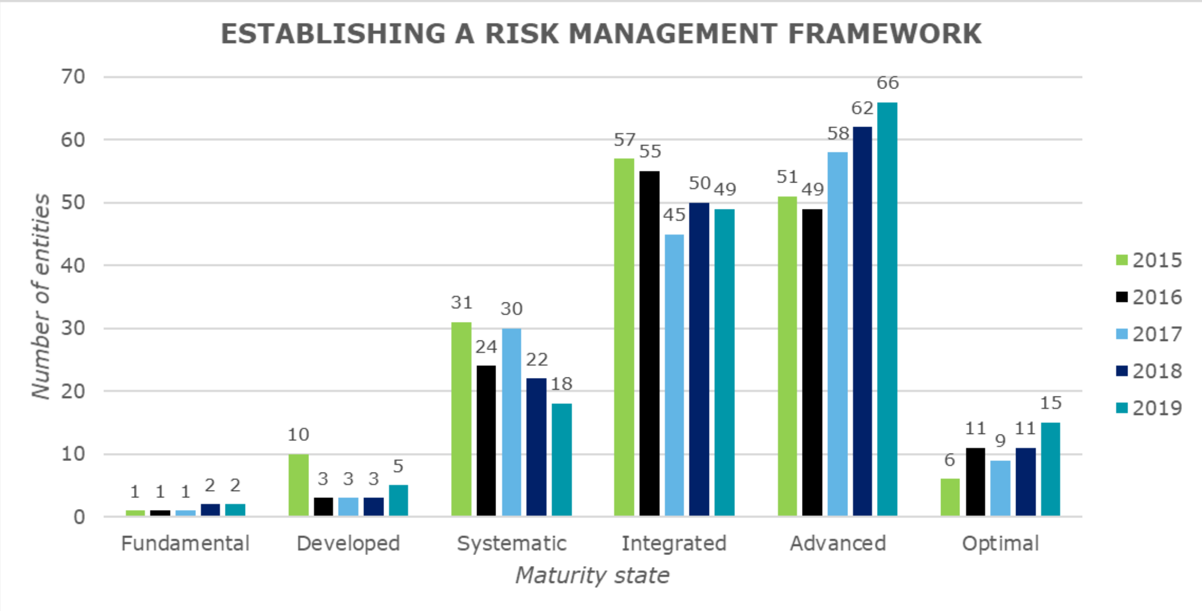
Element 2 – Establishing a risk management framework		Integrated	#4 Maturity score

Definition and context

A risk management framework is the set of components and arrangements that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the entity. It is important for a risk management framework to be suited to the purpose, structure and size of an entity, and aligned with key business planning, management and decision-making processes.

Relevant existing standards such as the ISO 31000:2018 Risk Management Standard are useful resources to consider in the development of an entity's framework.

Analysis overview



Survey results suggest that while entities generally have well-developed risk management policies, the broader risk management framework is a more complex topic, which is reflected in the average overall maturity recorded this year of *Integrated*. The difference in maturity is not unsurprising when one considers that many of the components of a Risk Management Framework that the Commonwealth Risk Management Policy identify include articulating the entity's approach to achievement of many of the nine elements of the policy.

Over the five years of the current Program, the movement in maturity has been closely aligned with that of the overall Fund, including decreases in *Systematic* maturity, relatively stability in *Integrated* maturity and steady increases in *Advanced* maturity. While both the overall Fund and this element have consistently achieved *Integrated* maturity, the overall maturity of Element 2 is still greater than the average maturity of the Fund overall, indicating a generally strong performance for this element.

Response drill-down

When asked about the core components of participant's risk management frameworks, the following positive responses were noted:

- A standardised and consistent risk management framework is applied across all or most business units, processes, services and projects (76%, an increase on 2% from 2018)
- Requirements for communication and consultation to internal and external stakeholders are articulated (79%)
- The attributes of risk culture that your entity seeks to maintain (79%)
- Risk related reporting requirements have been articulated (85%).

While there is no standard format or structure for a risk management framework as it should be tailored to the needs of the entity, a key component to facilitating continuous improvement of risk management capability is self-review. Interestingly, while 46% of entities identified that the effectiveness of, and changes to the risk management framework are reported at least annually, only 35% of entities are articulating critical success factors, including processes to measure the effectiveness of the risk management framework. Over the five years of the current Program, this component has only realised a moderate increase from 27% of entities in 2015 responding positively.

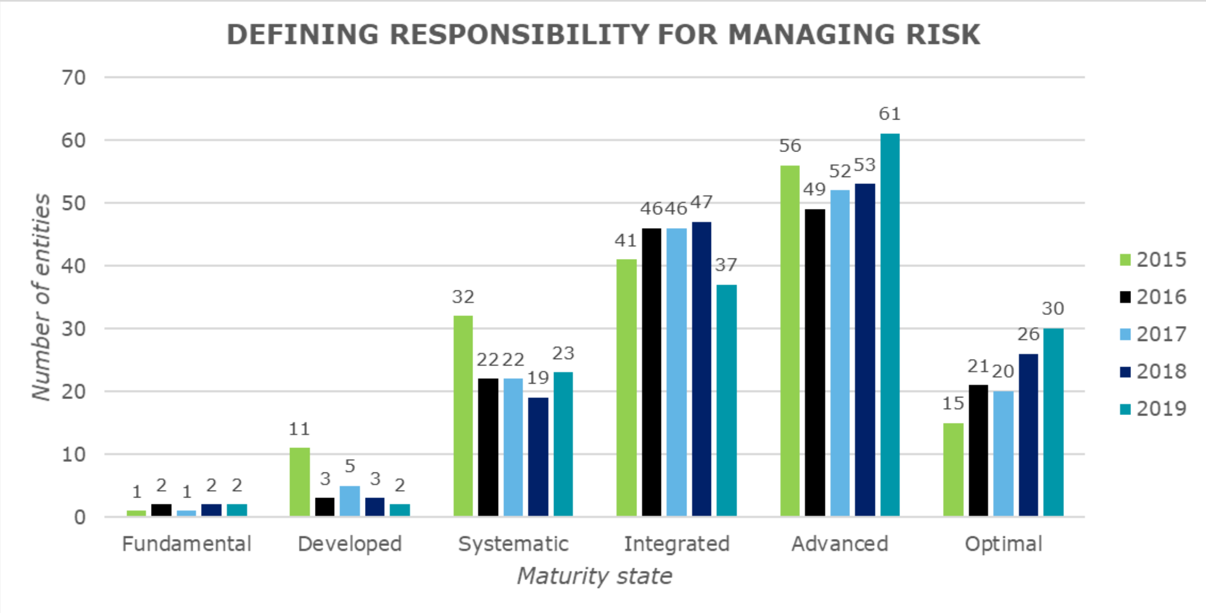
Element 3 – Defining responsibility for managing risk		Advanced	#3 Maturity score

Definition and context

The Policy requires an entity's accountable authority to allocate responsibility for determining the entity's appetite and tolerance for risk, implementing the entity's risk management framework and defining entity roles and responsibilities in managing individual risks.

The accountable authority of an entity is ultimately responsible for establishing appropriate systems of risk oversight and management and in doing so, sets the tone from the top. However, responsibility for the day-to-day management of risk lies with officials across the entity. Consequently, entities need to have in place effective communication and learning programs to ensure officials are aware of their responsibilities and risk taking limits.

Analysis overview



Element 3 was the only element to record a change in the average maturity state this year increasing from *Integrated* to *Advanced.* Element 3 has consistently remained the third highest performing element across the Fund for the five years of the current Program, with total growth in maturity over the five-years of 11% closely related to the growth of the overall Fund at 12%. Of note, this year Element 3 also recorded the third highest increase of any element at 2.31%, which was greater than the overall average growth of the Fund.

Response drill-down

The survey asks questions regarding the roles that are defined and documented relating to risk management. A significant proportion of entities agreed that the following are present:

- Audit committees (98%)
- Senior management (93%) and
- Accountable authorities (95%).

We note that these results have remained relatively consistent over the life of the current program, with the exception of assigning responsibility for risk management to the accountable authority, which has increased from 88% of entities in 2015 to 95% in 2019.

2019 results have seen the number of entities with a risk function solely or primarily dedicated to the management of risk decrease from 26% in 2018 to 21%, with more entities now utilising shared risk functions, responsible for both risk and non-risk management activities (up from 47% in 2018 to 52%). These results may contribute to the fact that there is a much lower number of entities that have defined and documented 'specialist' risk roles such as risk managers (down from 65% in 2018 to 59% in 2019). However, in line with the increase in adoption of 'shared' risk functions, entities have also continued to embrace the use of risk committees, increasing from 44% in 2015, 55% in 2018 to 59% in 2019.

In addition to defining responsibility for risk management, it is also critical to communicate these responsibilities to facilitate effective risk management practices across the entity. Reflective of the assignment of responsibility to an entity's audit committee, 97% of entities identified that the audit or risk committee charter or terms of reference is utilised as a means to communicate these responsibilities. Entities also identified the following mechanisms to communicate to their staff:

- Accountable authority instructions (84%)
- Dissemination of the risk management policy (93%)
- Intranet (80%).

Entities are encouraged to foster a culture that all officials are responsible for managing risk. One way that this message can be reinforced is to include risk management responsibilities in employee position descriptions. Consistent with the increasing maturity of this element overall, we have seen an increase from 51% of entities initially reporting that this is done to 63% of entities in 2019.

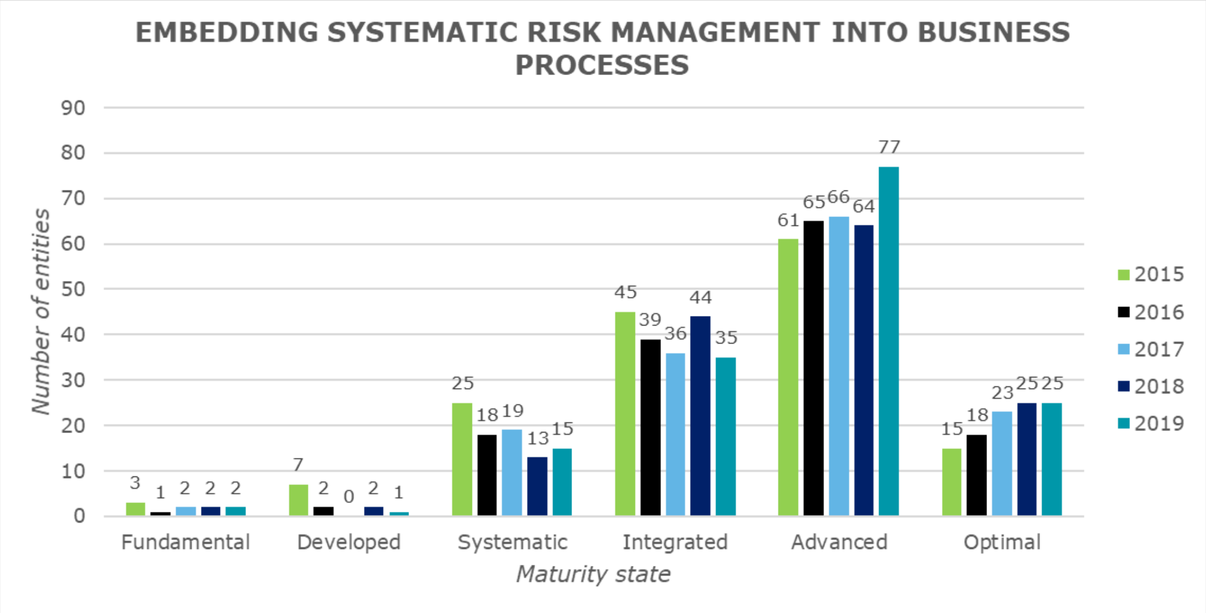
Element 4 – Embedding systematic risk management into business processes | Advanced | #2 Maturity score

Definition and context

Effective risk management, based on sound judgement and the best information available, enhances an entity's ability to identify, manage and derive maximum benefits from new challenges and opportunities. Risk management must be an integral element of the overall management capability of an entity and integrated into key business processes.

Successfully embedding risk management into business processes requires a tailored approach to align the entity's objectives, risk management framework and its operating environment. For process changes to be truly embedded and become accepted as 'business as usual' it can take time, especially for larger and more complex environments, which can present as a challenge in a dynamic operating environment.

Analysis overview



Since 2016, Element 4 has achieved an overall average maturity of *Advanced*, increasing from its initial maturity of *Integrated* achieved in the 2015 Program. The growth in maturity for this element over the five years (11%) is closely aligned to the average overall growth of the Fund (12%), however reflective of the high average maturity of this element, the growth from 2018 to 2019 is below the average growth of the overall Fund (1.62% compared to 1.94%).

This year, the largest change in entity maturity was observed between the *Integrated* to *Advanced* states, with 66% of entities now achieving either *Advanced* or *Optimal* maturity, compared to 59% in 2018.

Response drill-down

A key indicator of maturity for this element is the degree to which the entity's approach to managing risk is fully integrated with its overarching governance framework. Results have remained consistently high in this area, including:

- Applying risk management processes during annual strategic planning and budgeting (83%)
- Projects and programs (88%)
- Policy development (81%)
- Reflecting the entity's risk management approach in governance structures (88%).

Further, while specialist risk categories may have their own risk management programs to meet compliance or legislative requirements, entities also reported that for many of these categories there is alignment of the following specialist risk practices with their overarching risk management framework:

- Work Health & Safety (95%)
- Fraud control (97%)
- Protective security (87%).

A 'risk aware' entity that has embedded risk management principles into business processes can utilise risk information to identify opportunities for improvement and inform decision making. Over the life of the current Program this has been an area for continued improvement, which has been reflected in the growth in maturity of activities such as utilising risk appetite to inform the allocation of resources to drive alignment of business functions or processes (53% in 2015 to 69% in 2019) and strategic planning processes (69% in 2015 to 88% in 2019).

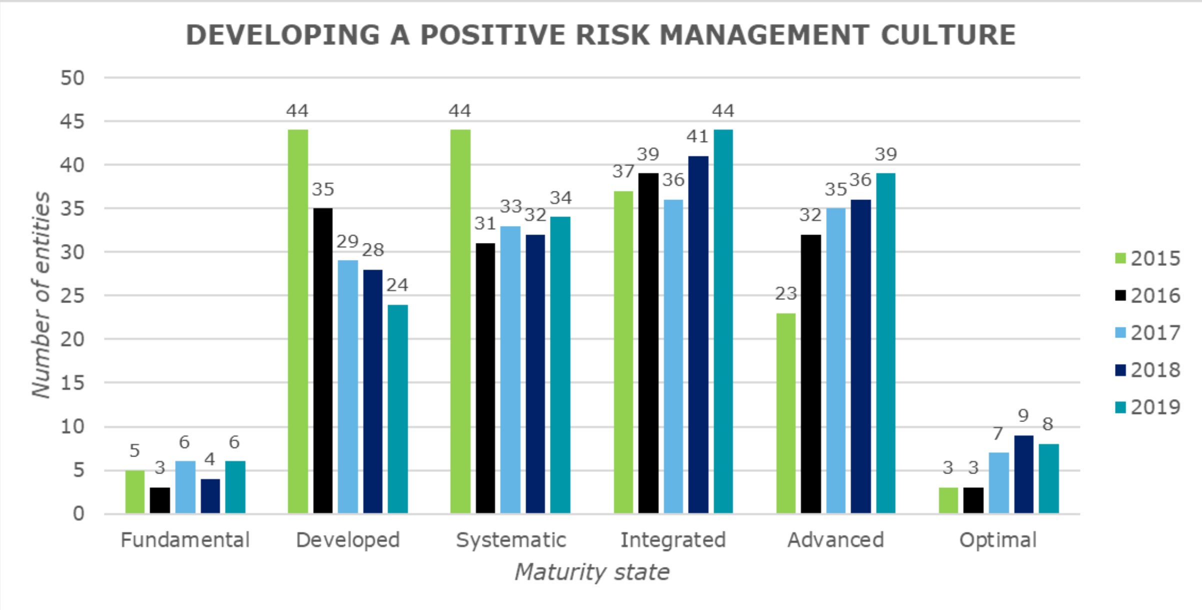
Element 5 – Developing a positive risk management culture		Integrated	#7 Maturity score

Definition and context

Risk culture is the set of shared attitudes, values and behaviours that characterise how an entity considers risk in its day-to-day activities. A positive risk culture promotes a proactive approach to managing risk that considers both threat and opportunity, enabling the entity to thrive.

Not only is risk culture closely linked to the first four foundational risk management elements of the Policy, but it is intrinsically linked with Element 6. Communicating and consulting about risk, and Element 8. Maintaining risk management capability. Without open dialogue, or sufficient risk resources, an entity's efforts to develop a positive risk culture will be impacted.

Analysis overview



Given the complex interrelationship of this element with many others of the Policy, it is unsurprising that this element has consistently been among the lowest three performing elements over the life of the current Program. While this element has seen the third highest percentage increase of all elements since 2015 (15%), the survey results this year have varied only slightly on 2018 (0.3%), which is the smallest growth of all nine elements. This may be attributed to the above-average growth recorded in the prior year and reflective of the fact that realising the benefits of a cultural change initiative or program can take many years.

Response drill-down

Creating 'a positive risk culture' is not a single activity. However, it should always start with leaders defining the desired risk culture of the organisation. Over the life of the current Program, at least 70% of entities have consistently identified that this is the responsibility of their accountable authority.

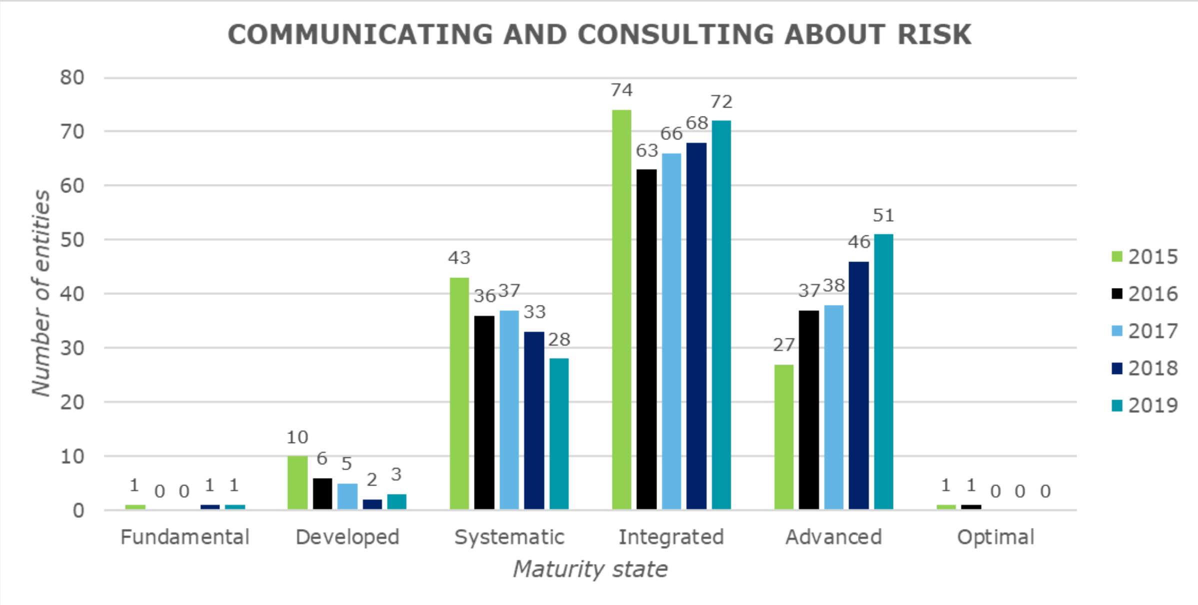
Once the desired risk culture has been defined and actions put into place to positively influence behaviours and actions, it is also critical for the program to include a formal, periodic assessment of risk culture to adjust any processes as required. In 2015, 62% of entities reported having a process to undertake a risk culture assessment which has increased to 72% in 2019. Further, the frequency by which these assessments are conducted has improved from 35% of entities noting in 2015 that they were conducted at least annually, to 38% in 2018 and 45% in 2019. Interestingly, this year saw a decrease in the use of focus groups, workshops and individual interviews (which had previously increased) in favour of cultural engagement surveys that include specific risk culture questions, increasing from 38% in 2018 to 45% in 2019, and 15% overall since 2015.

Element 6 – Communicating and consulting about risk		Integrated	#6 Maturity score

Definition and context

Communicating and consulting about risk underpins the successful management of risk. Effective communication requires consultation with relevant stakeholders (both internal and external) and the transparent, complete and timely flow of information between decision makers. Communicating risk information with stakeholders is important as it maintains confidence and trust and develops a common understanding of the entity's risks. Effective risk communication and consultation practices are not only a key component to an effective risk management framework (Element 2), but are also an enabler for developing positive risk culture (Element 5) and critical for an entity to understand and effectively manage shared risks (Element 7).

Analysis overview



After recording the least percentage improvement in maturity from 2017 to 2018 of all nine elements (less than 1%), the increase in average maturity from 2018-2019 has been the second largest at 2.58% which also far greater than the average increase in maturity of the overall fund (1.94%).

Element 6 has consistently been ranked 6 of the 9 elements in average maturity and has remained below the overall average maturity of the Fund. However, unlike other lower ranked elements, it has also recorded the second lowest growth over the five year period of 10%, which is below the overall average of the fund of 12%. Further, unlike 2018 which saw more than one third of entities failing to meet their target maturity for this element, 2019 survey results have seen dramatic increases of the number of entities either meeting or exceeding their target maturity with only 22% of entities failing to meet their target maturity (refer also Section 3). This suggests that the majority of entities are no longer seeking to improve their maturity of this element, which could ultimately impact their ability to continue to mature risk management capability more broadly given the interrelationship of this element across the others of the Policy.

Response drill-down

Accessibility of risk related information is a key component of effective communication. Consistent with 2018 results, 92% of entities reported storing risk information in a central repository accessible by key staff. As information should be updated as the entity's context for managing risk changes, we noted continued variability at which the information is updated. It is important for entities to ensure that information is current, reliable and accurate to promote consistency in risk management practices across the entity.

To promote active communication about risk within their entity, 96% of entities stated that risk information is an agenda item for discussion during periodic meetings with representatives across multiple business units / divisions. Further, there have been significant increases this year in the provision of timely information to the following internal stakeholders:

- Senior managers as risk owners (81%, up from 73% in 2018)
- Senior management committees (83% up from 78% in 2018)
- Audit or risk committee (90% up from 86% in 2018)
- Accountable authority (82% up from 74% in 2018).

While survey results indicate that entities are largely discussing risk information with external parties, the 2019 survey noted a decrease from 95% to 90% of entities reporting that risk information is discussed during periodic meetings with representatives across multiple entities. Further, the variable frequency of these discussions and subsequent sharing of information remains an opportunity for improvement.

Element 7 – Understanding and managing shared risk		Integrated	#8 Maturity score

Definition and context

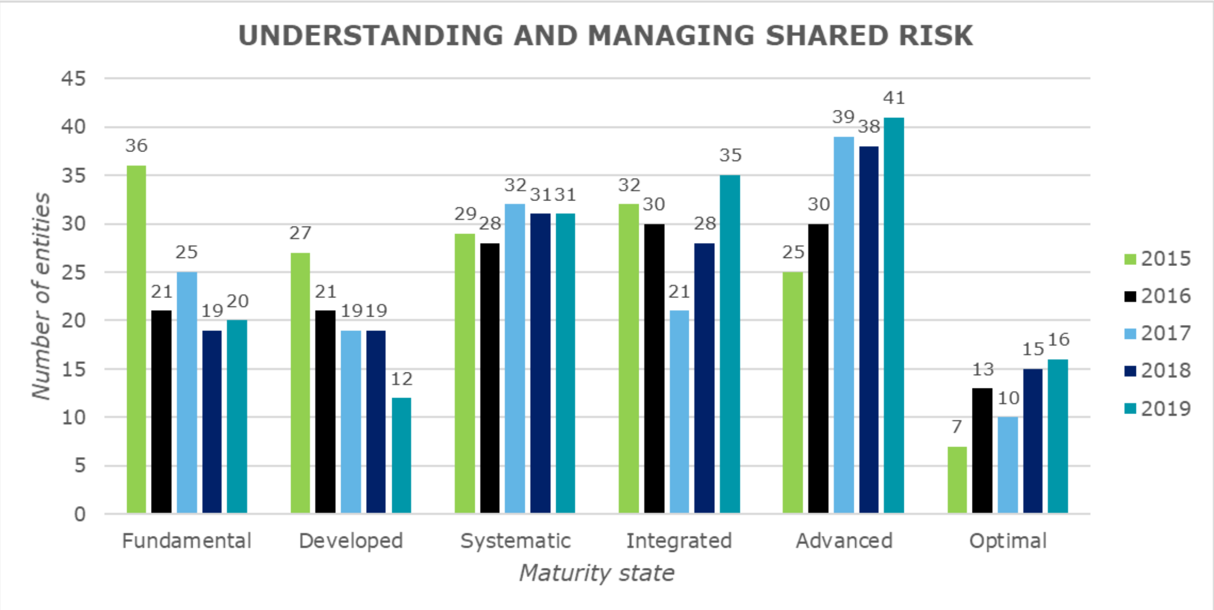
Shared risks are those risks extending beyond a single entity which require shared oversight and management. Accountability and responsibility for the management of shared risks includes not only risks that may exist within an entity across business units or divisions, but also risks that extend across entities and may involve other sectors, community, industry or other jurisdictions.

Although shared risks will differ in nature and scale, they have a number of distinguishing characteristics:

- A shared risk may have no naturally apparent owner. Shared risks often require a network of distributed responsibilities and relationships
- Shared risks can have complex causes, and can be influenced by the actions (or inaction) of a range of participants in different ways
- Should a shared risk be realised, they can affect different organisations in different ways and can have complex and widespread impacts.

The growing use of collaborative approaches, such as through shared services, public-private partnerships and inter-agency task forces, brings an increasing importance to how entities consider and manage shared risk.

Analysis overview



Element 7 has consistently been the second lowest scoring element over the life of the current Program. However, this element has seen not only the largest percentage increase in maturity for 2019 (3.58%), but also across the last 5 years (29%).

The largest changes in maturity states this year have been observed in a decrease of *Developed* maturity from 13% to 8% and an increase of *Integrated* maturity from 19% to 23%. These changes may go some way to explaining why an increasing percentage of entities have exceeded their target maturity state for this element this year even though the average target maturity for this element increased on the prior year (34% of entities exceeded their target in 2019 compared to 22% in 2018).

Response drill-down

94% of entities reported that responsibility has been assigned for the identification of shared risks at an inter-entity level which is an increase of 10% over the five year Program. Consistent with 2018 results, the most common means by which shared risks are identified are through collaborative efforts such as senior management meetings or forums (e.g. Secretaries Board or APS 200) up 7% on last year to 75%, and analysis of risk registers, including operational and functional (63%) and project or program (62% up from 59% in 2018). In 2019, 40% of entities have also reported participating in formal inter-entity committees where shared risk is a standing agenda item.

In terms of processes to manage these risks, the most common ways to do have remained largely unchanged over the course of the current Program:

- Senior management oversight (Originally 63% to 79% in 2019)
- A memorandum of understanding (MoU) between the entity and other entities (originally 49% to 61% in 2019)
- Organisational working groups or committees across operational or functional areas (originally 45% to 59%).

However, indicative of the relatively low maturity of this element, 58% of entities have continued to identify that the accountability for managing shared risk is not clearly understood. While this has decreased from 67% in 2015, these results demonstrate that there are further opportunities for improvement, which may be addressed in tandem with greater focus on Element 6. In particular, in 2019, even though the vast majority of entities identified as having shared risks, less than 50% of entities are including these details in their risk management reports. Documenting shared risks can help improve the understanding of complex relationships and clarify the extent of knowledge of the risk at a point in time.

Element 8 – Maintaining risk management capability		Systematic	#9 Maturity score

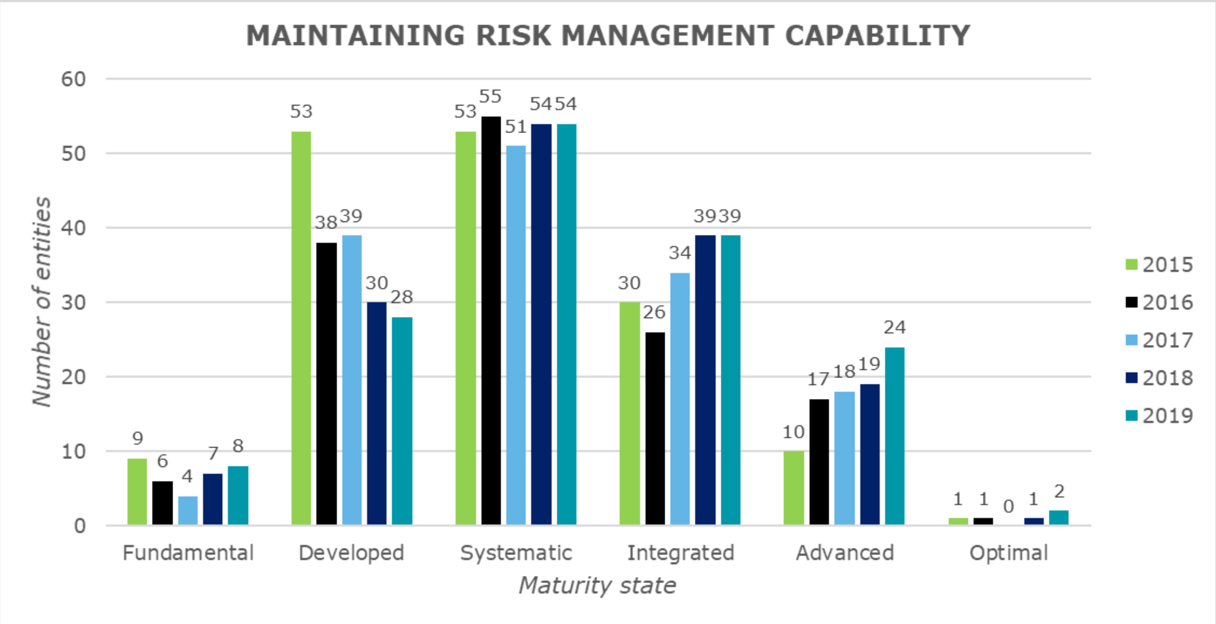
Definition and context

Effective risk management requires an entity to maintain an appropriate level of capability to manage its risk management program and its risks. The nature and scale of this capability must be considered in the context of an entity's current resource and capability profile and be commensurate with the characteristics and complexity of its risk profile.

Building risk management capability requires developing a vision for risk management and tailoring resources to areas that will have the biggest impact. This includes not only people capability, but also the risk systems and tools to complement the risk management process.

A sufficient level of risk management capability is required not only to ensure risk management can be effectively embedded into business processes across the entity, but also to promote a positive risk culture.

Analysis overview



Element 8 has maintained an average maturity of *Systematic* for the five years of the current program and as a result, has year-on-year been the lowest rated of all nine elements. However, similar to the other elements on the lower side of the maturity scale, Element 8 has seen the second largest growth in maturity of all the elements over the current Program of 18%.

Consistent with 2018, more than half of the fund this year did not meet their target maturity for Element 8, demonstrating a desire for continued improvement.

In understanding how the overall Fund continues to mature with only an average capability of *Systematic*, it is important to recognise that 'capability' relates to multiple factors including systems, tools and processes, not just people. Further, the level of capability required for an entity should be commensurate with the entity's risk profile and evaluated against the potential cost of their risks materialising. So, for example, risk processes and tools may range in complexity from simple spreadsheets to dedicated enterprise risk management software. While these may be fit-for-purpose for a number of entities, they will also materially impact the maturity rating the entity receives for this element.

Response drill-down

Investment in risk management capability often requires allocation of budgeted funding. Of the 93% of entities that responded as identifying risk management related costs in their operating budget, the majority noted that it was dedicated to the following areas:

- Insurance (93%)
- Consultants used to support the risk management process (68%, an increase of 5% on prior year)
- Dedicated risk management resources (46%, which has increased 1% on prior year and 8% over the life of the Program).

In addition to allocating funding towards risk management, entities can also undertake a range activities to equip their officials to effectively manage risk. These range from clearly defined accountabilities, responsibilities and processes that are outlined in the Risk Management Policy and Framework (Elements 1 and 2), to access to information (Element 6) and specific learning and development initiatives.

This year, 96% of entities agreed that specific initiatives are in place within their entity to build and support the development of risk management capability. The most common mechanism continues to be on-the-job training (86%) followed by other more formal mechanisms such as face-to-face training (71%), online training (65%) and induction programs (65%). However, only 32% of entities identified having processes to undertake a skills analysis to identify capability gaps, which is valuable knowledge in not only designing targeted capability improvement initiatives but also being able to assess their effectiveness post-implementation.

The number of entities that provide specific training to build and support risk management capability has remained relatively stable over the life of the Program, currently at 90%. In understanding where entities are focusing their training efforts, the following cohorts were recognised:

- Executive level staff (75%)
- Senior executive service level staff (72%)
- APS level staff (72%).

Consistent with the decrease in entities having specialist risk roles noted at Element 3, training at the Chief Risk Officer level has declined for the first time this year to 45%, after consistent growth over prior years from 32% to 49% in 2018.

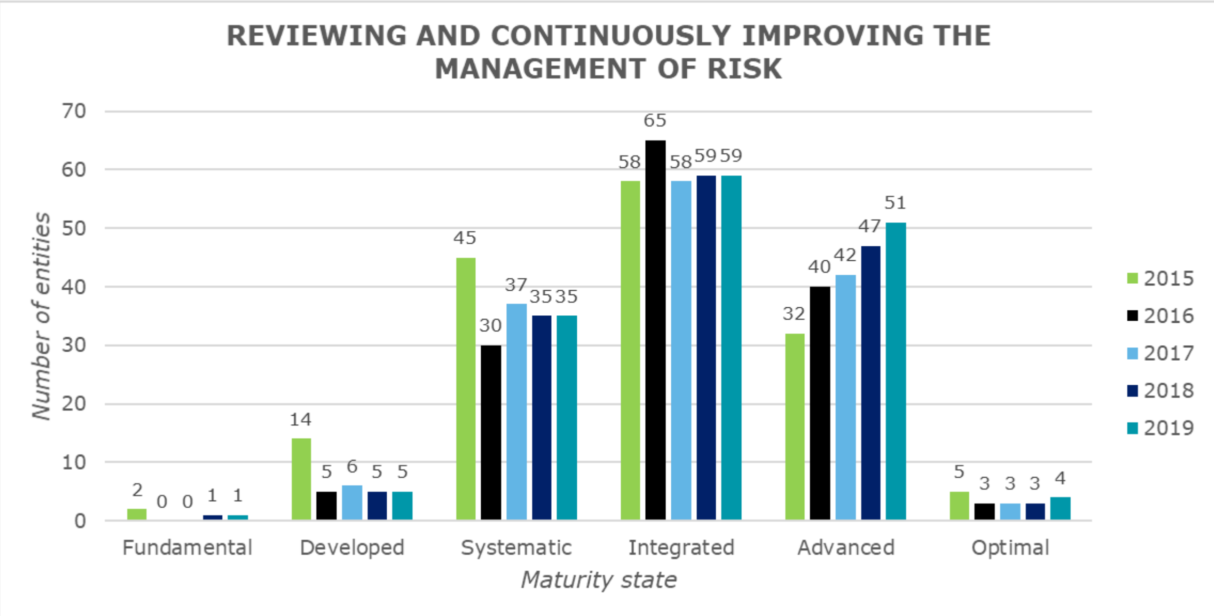
In considering how entities are providing accessible and easy to use risk management processes and tools, from a budget perspective, only 30% of entities recorded allocating funding to risk management systems (technology or otherwise), which is in alignment with the recognition that only 42% of entities have IT risk management solutions that support their processes (consistent with 2018 results). Rather, entities most commonly identified Excel spreadsheets as the mechanism used to capture risk information (56%, a 5% increase on 2018). Also consistent with prior year results, only 9% of entities reported utilising governance, risk and compliance software or modules. While such tools may not be necessary for smaller entities, this may be a significant contributing factor to the low maturity of this element overall.

Element 9 – Reviewing and continuously improving the management of risk		Integrated	#5 Maturity score

Definition and context

Formalising and implementing risk management within an entity is not a one-off event. The effective management of risk is a process of continuous improvement, requiring regular review and evaluation mechanisms. Entities need to continuously review their risk management framework and the risks being managed so that they are equipped with the information to enable new risk identification and adjust their risk profile to make it relevant and meaningful. Effective review and evaluation mechanisms enable entities to check whether their respective approach to risk management is consistent with their objectives, while also enabling a platform to reward good performance as it links to risk management activities.

Analysis overview



Element 9 is one of three elements that has maintained an *Integrated* maturity over the five years of the current Program. Similar to the profile of Element 5, it has attained the third lowest growth in maturity over the life of the Program (9.7%) and the second lowest growth of all nine elements this year of 1.42% to be slightly below the average growth of the fund over both time periods.

However, while there has been relatively low growth in maturity over the course of the current program, the growth in entities achieving and maintaining a maturity of at least *Integrated* has been positive, starting at 61% in 2015 increasing to 74% this year. Given we are faced with a continuously evolving risk landscape, the overall maturation of the Fund at a program level, and against individual elements would not be able to occur without entities seeking to continually improve. As such, the improvements entities make in this area may be supporting the continued attainment of their maturity state for this element rather than large-scale increases.

Response drill-down

Operating in a dynamic environment means that risk management practices cannot remain stagnant. While foundational principles may remain the same, it is prudent for entities to establish a program of routine review of core risk artefacts such as the risk management policy and framework. This year has seen a decrease in the frequency of review from at least annual to between 1-3 years.

- Risk management policy: 54% identified at least an annual review down from 62% in 2018
- Risk framework: 55% down from 63% in 2018.

An entity's risk profile should be at front of mind when considering any periodic review of these artefacts to ensure their continued relevance in the current operating environment. While the survey this year showed a decrease in the frequency of review of documentation, entities have continued to maintain a frequent dialogue to ensure their risk profile remains current. The following activities are noted as being utilised, at least annually:

- Consultation with a range of stakeholders, including the audit or risk committee (97%), accountable authority (93%), senior management (93%) and this year increasingly third-party specialists (57% up from 53% last year)
- Update of existing operational and strategic risks (90%)
- Environmental scanning and benchmarking (77%).

As highlighted within the drill-down for Element 8, monitoring and measuring performance to identify areas of strength and opportunities for improvement is a key factor to ensure the effective and efficient deployment of resources as part of any continuous improvement program. Internal audit outcomes continue to be the primary way in which entities do so (92%), however entities are now also placing the same importance on review activities by senior management or the accountable authority, increasing from 89% last year to 92% this year. For the first time since the current Program's inception, 50% of entities have reported that they measure how risk management has supported the achievement of entity objectives, which has been a significant improvement since the introduction of the Program, increasing from 35% of entities in 2015. This growth suggests that where entities have undertaken this activity they have found benefits in the process and continued to do so. Not only does it present entities with an opportunity to refine or adjust processes, but where positive results are identified, entities could utilise this information to share good news stories and contribute to the positive risk culture within their entity.

Target maturity findings

3 Target maturity findings

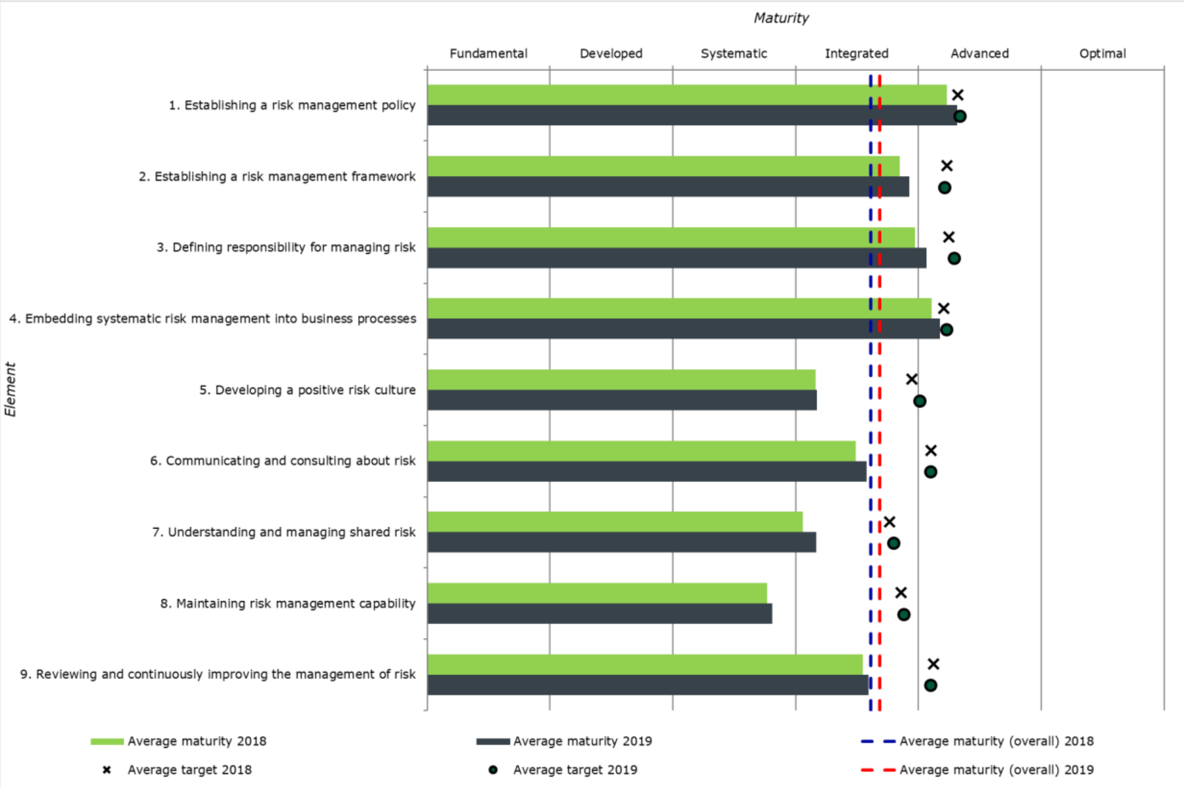
3.1 Setting target maturity states

During the survey completion process, all entities were asked to select an individual target state of risk maturity for each of the nine elements of the Policy, representing where they would like their risk management capability to be at an element level within the next 12 months.

In considering the appropriate state of risk maturity for an entity to work towards, entities are encouraged to align their investment in risk management with the needs of the entity with respect to the size, complexity, operating environment and agreed expectations of their accountable authority. As such, not all entities should be striving for an *Optimal* maturity state.

3.2 Achievement against targets

Graph 3: Comparison of current and target maturity of the total population for each element



The 2019 survey results demonstrate that while there has been an increase in the average maturity of each element at an overall Fund level, there has been little increase in the average target maturity. In 2019, there has been a decrease in the average target maturity of three elements (2, 6 and 9) due to additional participating entities compared to 2018. However, we acknowledge that these decreases are insignificant with each of these three elements maintaining an average target maturity of *Advanced.* In addition, Element 5, which has the third lowest actual maturity recorded a movement in average target maturity from *Integrated* to *Advanced*.

Similar to prior years, while the actual maturity of some elements has been below the overall average maturity of the Fund, the average target maturity for all elements has again been set at levels above the overall Fund performance.

These results indicate that entities are continually striving to improve. However, in comparing the total number of entities, exceeding, meeting or falling below their target maturity on an element basis, 2019 results have shown a decrease in the average number of entities falling below their target maturity from 30% in 2018 to 25% in 2019. While the number of entities either achieving or exceeding targets has resultantly increased, we note that the average percentage gap between actual maturity and target remains significant for those entities who have not met their target maturity (38%) compared to those entities who have exceeded their target maturity (21%).

The following sections provide analysis relating to:

- Entities with maturity scores below their targets
- Entities with maturity scores above their targets
- Entities that achieved maturity scores in alignment with their targets.

3.2.1 Entities with scores below their targets

The setting of target maturity states is designed to drive improvements in entity capabilities. As such, we would expect to see a greater number of entities not achieving their target maturity for those elements that are below the overall average maturity of the Fund.

In line with this, Table 2 illustrates the number of entities that achieved maturity below the target for each element. Consistent with observations made in Section 2, this demonstrates that the greatest area for improvement sits across Elements 5, 7 and 8. Not only do these elements have the largest number of instances where entities have recorded actual maturity below target, but also the largest average percentage difference in score.

Table 2: Distribution of achieved maturity below target for each element

Element	Number of entities below target	Percent of entities below target	Average of percentage difference in score
1. Establishing a risk management policy	10	6%	43%
2. Establishing a risk management framework	35	23%	31%
3. Defining responsibility for managing risk	24	15%	40%
4. Embedding systematic risk management into business processes	20	13%	35%
5. Developing a positive risk culture	58	37%	47%
6. Communicating and consulting about risk	34	22%	33%
7. Understanding and managing shared risk	50	32%	59%
8. Maintaining risk management capability	81	52%	44%
9. Reviewing and continuously improving the management of risk	42	27%	11%

3.2.2 Entities with scores above their targets

Table 3 illustrates the number of entities with actual scores above their target for each element. This demonstrates that the strongest area of achievement of target maturity has been in Elements 1, 3 and 4, which is once again aligned to the three highest performing elements in actual terms. Survey results this year, however, have also seen an increase in the number of entities exceeding their target maturity for elements 5 and 7, which are two of the lowest performing elements at a Fund level.

Table 3: Distribution of achieved maturity above target for each element

Element	Number of entities above target	Percent of entities above target	Average of percentage difference in score
1. Establishing a risk management policy	92	59%	20%
2. Establishing a risk management framework	57	37%	20%
3. Defining responsibility for managing risk	64	41%	17%
4. Embedding systematic risk management into business processes	76	49%	23%
5. Developing a positive risk culture	31	20%	25%
6. Communicating and consulting about risk	36	23%	19%
7. Understanding and managing shared risk	52	34%	23%
8. Maintaining risk management capability	18	12%	21%
9. Reviewing and continuously improving the management of risk	40	20%	23%

Where entities are achieving maturity above their target state, it is an opportunity for entities to consider refocusing effort to areas of lower capability and to reassess whether current investment in these areas is fit-for-purpose. However, this should also be balanced with consideration to the actual performance of that element. If actual element maturity is below the average of the Fund, there may be an opportunity for the entity to reassess their desired target state.

3.2.3 Entities that scored within targets

Table 4 illustrates the number of entities with actual scores equal to their target for each element.

2019 saw an increase in the percentage of entities achieving a target maturity score for an element on 2018 overall and across the majority of the individual elements (excluding Elements 4, 7 and 9). For all elements, at least one third of entities achieved their target maturity.

Where target maturity is achieved for any particular element, entities should take care to ensure that they do not become complacent and cease to invest in continuous improvement of their capability in these areas. As the risk landscape continues to evolve each year, failure to incrementally build and enhance capability will undoubtedly eventually see entities go backwards in actual maturity.

Table 4: Distribution of achieved maturity equal to target for each element

Element	Number of entities achieving target	Percentage of entities achieving target
1. Establishing a risk management policy	53	34%
2. Establishing a risk management framework	63	41%
3. Defining responsibility for managing risk	67	43%
4. Embedding systematic risk management into business processes	59	38%
5. Developing a positive risk culture	66	43%
6. Communicating and consulting about risk	85	55%
7. Understanding and managing shared risk	53	34%
8. Maintaining risk management capability	56	36%
9. Reviewing and continuously improving the management of risk	73	41%

As risk is a contributor to the strategic planning process, the timing for achievement of the target maturity state should align to the timing of the entity's strategic planning life cycle. This will enable an entity to measure their progress in achieving its target maturity state in line with its organisational strategy.

Current and emerging risks

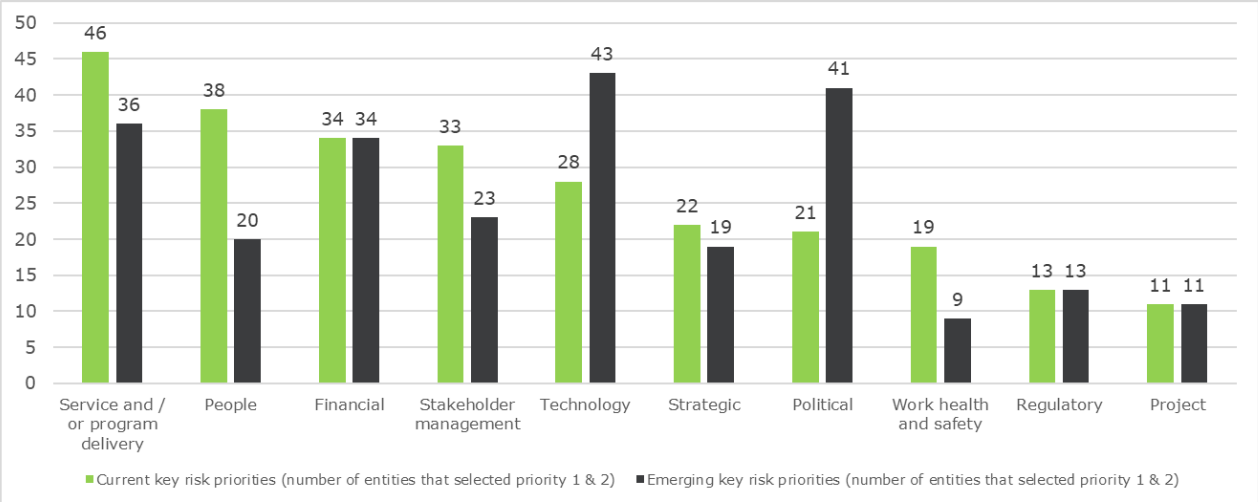
4 Current and emerging risks

4.1 Current and emerging risk priorities

As part of the Survey, entities were asked to prioritise which sources of risk are most relevant and important to them, both from a current and emerging perspective. Each entity selected five predetermined options and ranked these in order of importance from one (high priority) to five (low priority).

4.1.1 Top 10 prioritised sources of risk

Graph 4: Key current and emerging risk priorities (bases on the first and second selected priority sources)



The above graph summarises the most frequently nominated current and emerging sources of risk selected by the 155 participants in this year's survey. Key risk priorities are derived from the frequency of a risk source being deemed as an entity's first or second priority.

Entities indicated that the following sources of risk were most relevant to their current risk profile:

1. Service and / or program delivery
2. People
3. Financial
4. Stakeholder management.

While the risk categories have remained consistent over the last three years of the program, for the first time, 'Financial' risk is no longer the highest priority risk category, being replaced by 'Service and / or program delivery'.

The top eight risk sources have remained consistent since 2017, however the fund continues to experience variability in the 9th and 10th rated risks. This year, 'Regulatory Risk' has seen an increase from 14th to 9th ranking replacing 'Other', while 'Business Continuity and Disaster Recovery' has been replaced by 'Project' risk.

Looking forward, entities saw the following as the most significant emerging sources of risk:

1. Technology
2. Political
3. Service and / or program delivery
4. Financial.

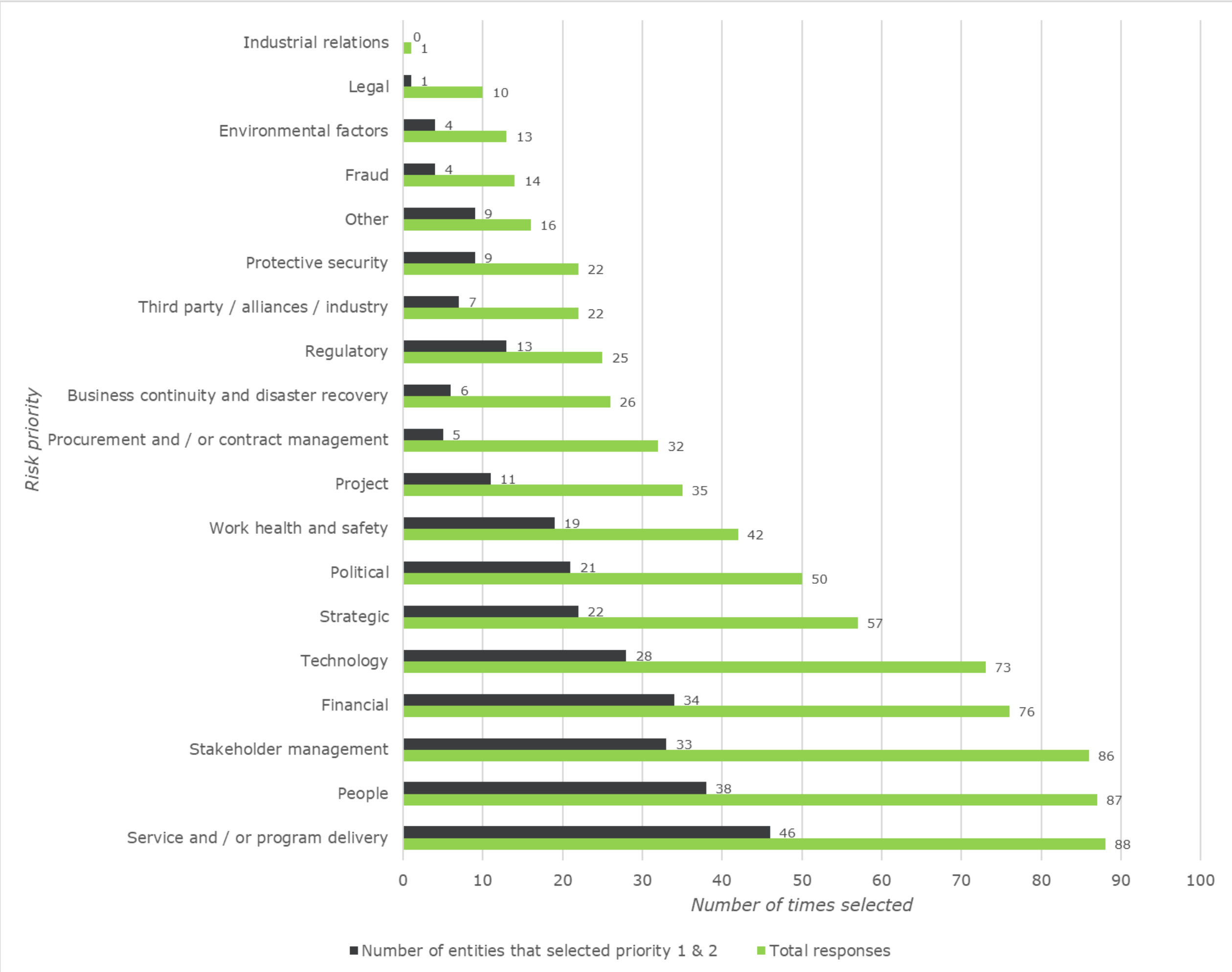
Acknowledging the 2019 survey being completed in an election year, 'Political' risk has significantly increased on prior year results, now rating as the second highest emerging risk category, resulting in 'Strategic' risk no longer being included in the top four emerging risk categories. Similar to the 2018 results, 'Technology' has continued to increase in rating, moving from fourth in 2017 to second last year and now first.

While 'Financial' and 'Service and / or Program Delivery' have been consistent sources of risk most relevant for the Fund both currently and into the foreseeable future, this year has seen a considerable decrease in the number of entities placing a high prioritisation on 'financial' risk both in both current and future state assessments.

4.1.2 Current risks

The following sections provide further detail of how entities ranked all risk categories with consideration to both current and emerging risks for their entity.

Graph 5A: Current sources of risk ranked by total response

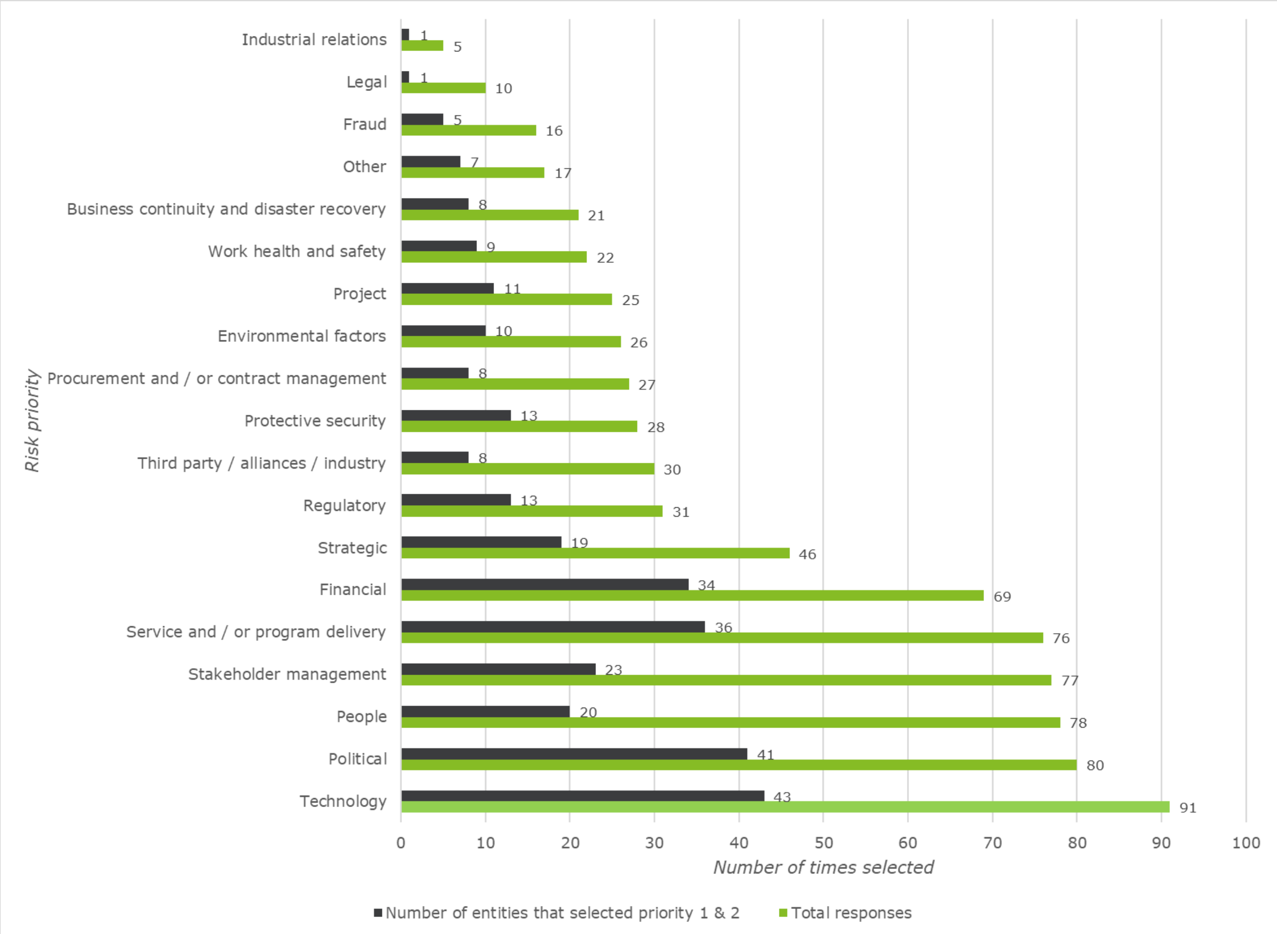


Graph 5A shows that not only did entities select 'Service and/or Program Delivery' and 'People' as the highest rating priority one or two risks, but more than 55% of entities had these risks in their top five current risks.

Further, 'Technology' which was the highest rated emerging risk for the first time this year has been included by 47% of entities in their top five current risks, highlighting the growing importance of this risk across the Fund.

4.1.3 Emerging risks

Graph 5B: Emerging sources of risk ranked by total response



Unlike the results shown in Graph 5A, the results depicted in Graph 5B indicate that there is a greater degree of variability between the top four emerging risks that were either first or second priority and the emerging risks that were included in the top five emerging risks overall. 'People' and 'stakeholder management' are two risks that were not included in the top four prioritised emerging risks, however were in the top four overall emerging risks.

Reflective of the decrease in ratings for financial risk in both current and emerging landscapes is the fact that this risk only received the sixth highest number of instances that it was included in entities top five emerging risks.