



Governance Institute Risk Management Survey Report 2020

Prepared by Stephen Spencer for Governance Institute of Australia
March 2020

Agenda

- 1) **CONTEXT, OBJECTIVES AND METHODOLOGY**
What we did and why
- 2) **RESPONDENT PROFILE**
Their role, profile and where they work
- 3) **ORGANISATIONS AND THEIR RISK SET-UP**
How risk is designed for and handled
- 4) **MANAGING RISK**
What the key risk issues are and how well the company handles risk
- 5) **CONCLUSIONS**
Summarising the key findings

01. Context, objectives and methodology

Context

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SURVEY REPORTS

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Governance Institute of Australia Risk Management Survey 2020



Risk Management Survey 2020 is open — [complete it now](#). Rank some of the key risks Australian organisations are facing in an increasingly uncertain world, from cyber-attacks to climate change.

This research aims to identify what the key pressure points are for governance and risk professionals in the Australian market, both now, and into the future

Complete this survey for a chance to win a one day pass to the [Governance and Risk Management Forum 2020](#). This is a game of skill. The winner is not determined by chance. Each entry will be individually judged based on its creative merit and suitability.

The survey should take no longer than 15 minutes. **Deadline: Wednesday 11 March 2020.**

Governance Institute would like to acknowledge PKF Australia's sponsorship of this survey. PKF Australia are the National Gold Research Partner of the [Governance and Risk Management Forum 2020](#). Findings from the survey will be presented at GRMF 2020.

- The 2019 Risk Management Survey saw nearly 500 Australian risk managers and governance leaders provide their insights into the unique challenges facing their organisations, both now and into the future.
- The 2020 Risk Management survey builds on the success of the 2019 survey with insights being explored at a plenary session at the Risk Management Forum Nationally.
- The survey identifies what the key pressure points are for governance and risk professionals in the Australian market, both now, and into the future.

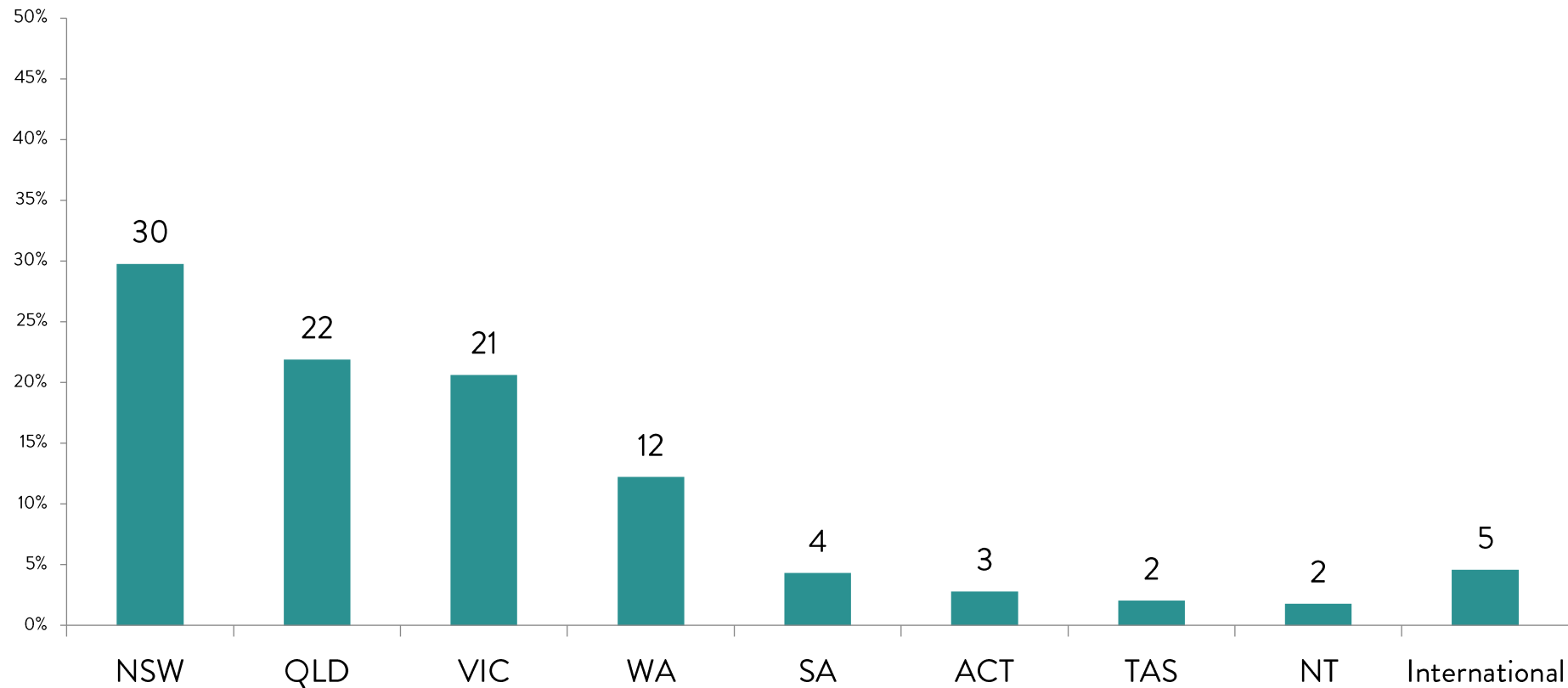
Methodology



- An online survey, executed by The Governance Institute.
- N=393 responses.
- Fieldwork was conducted in March 2020.

02. Respondent profile

State based in

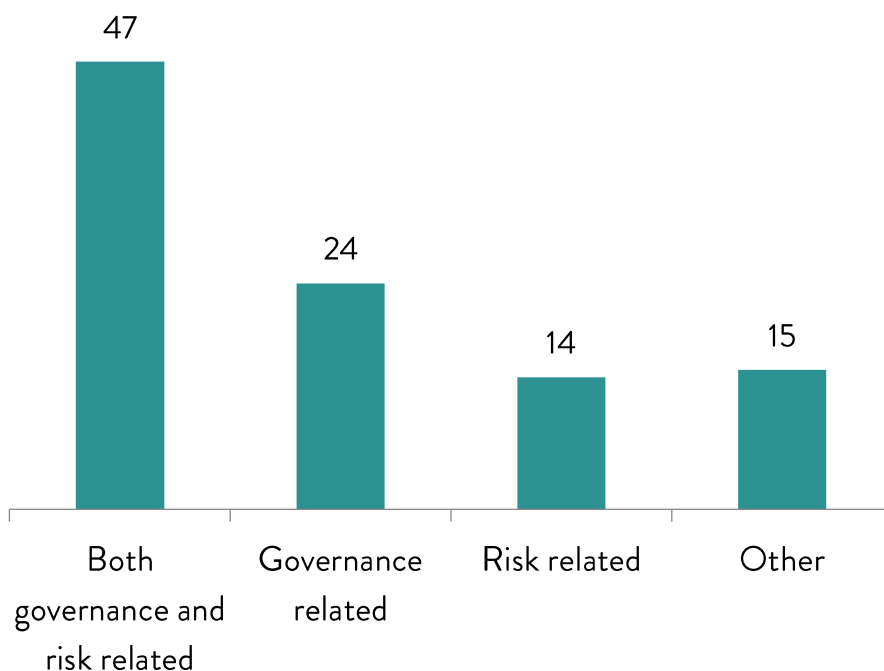


NSW accounted for just under a third of responses, ahead of Queensland (22%) and Victoria (21%).

5% came from overseas.

Role and stage of career

ROLE



STAGE OF CAREER

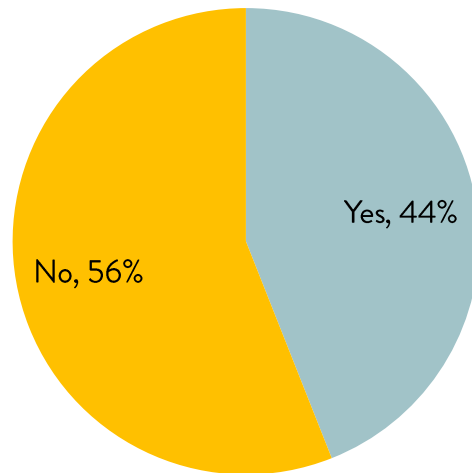


Just under half of respondents have a role spanning governance and risk. 24% are pure governance and 14% pure risk.

It is a largely senior profile – 39% being senior governance or risk professionals, 17% C-suite.

Governance Institute membership

WHETHER A MEMBER



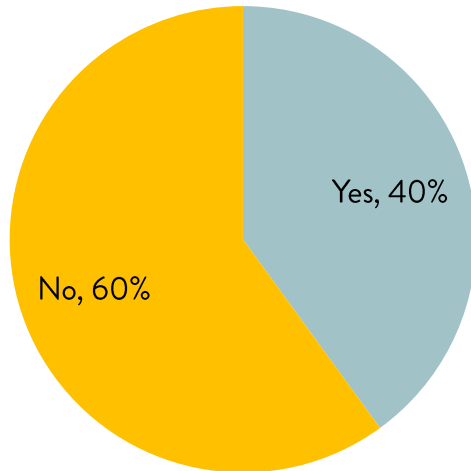
PROFILE OF MEMBERS AND NON-MEMBERS



44% of respondents were members and they tended to be more senior compared to the non-members that responded.

Formal risk management accreditations / qualifications

WHETHER HAVE ANY FORMAL RISK MANAGEMENT ACCREDITATIONS / QUALIFICATIONS



COMPARING MEMBERS AND NON-MEMBERS



40% have formal risk management qualifications, higher amongst members than non-members.

Organisation work for

TYPE OF ORGANISATION



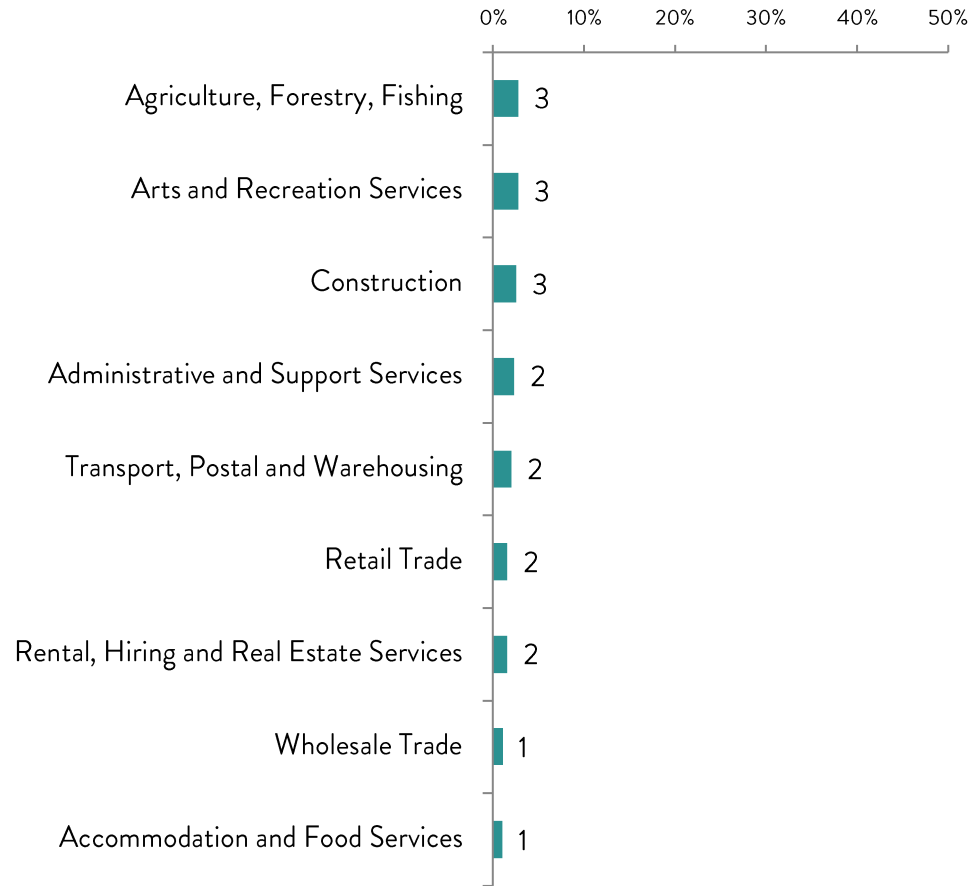
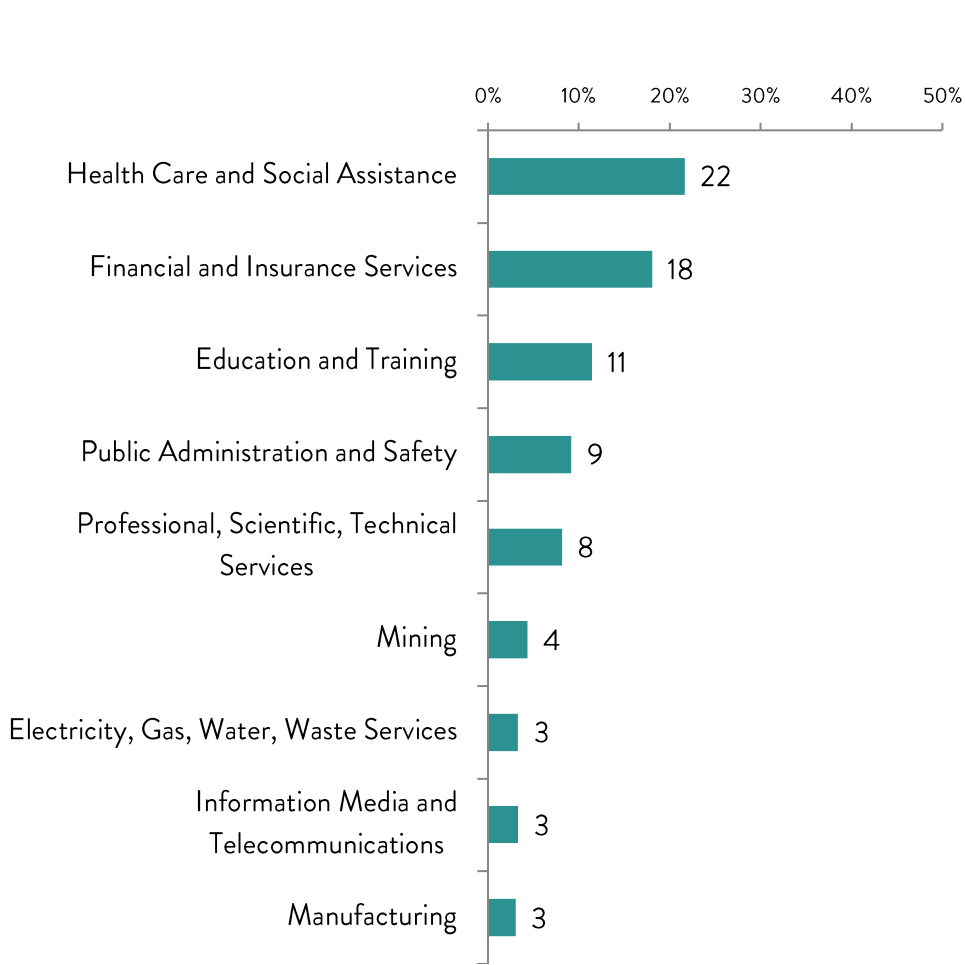
COMPARING MEMBERS AND NON-MEMBERS



A diverse set of organisation types. NFP and Government account for just over half of respondents with those in commerce coming from a range of sizes of organisation.

Members were more likely to be from business, non-members from Government.

Industry sector

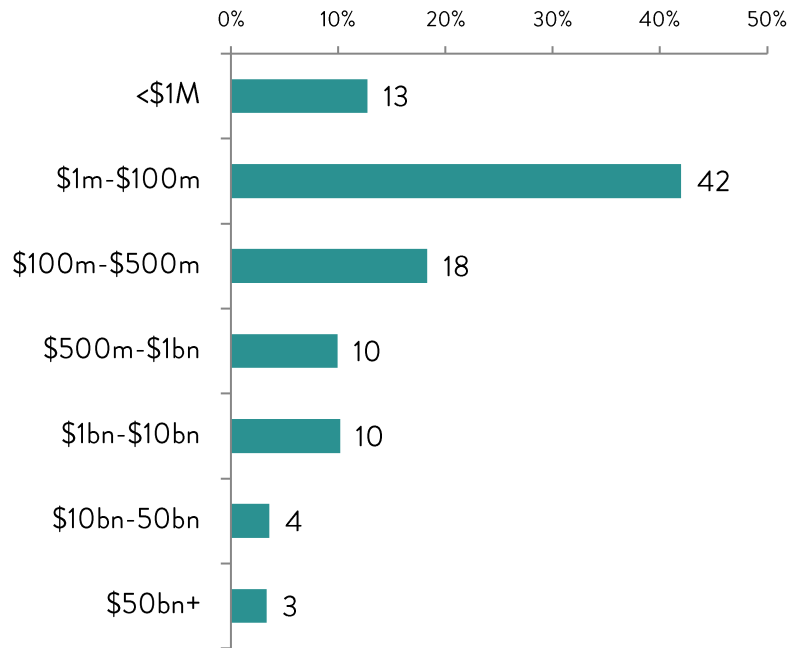


A diverse group of industry sectors are represented.

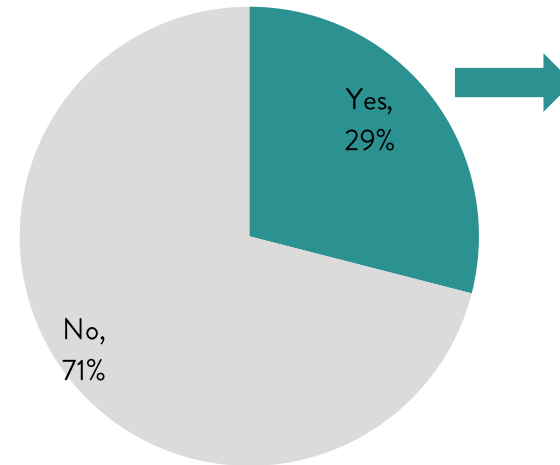
Healthcare and financial services are the top two, followed by education.

Company profile

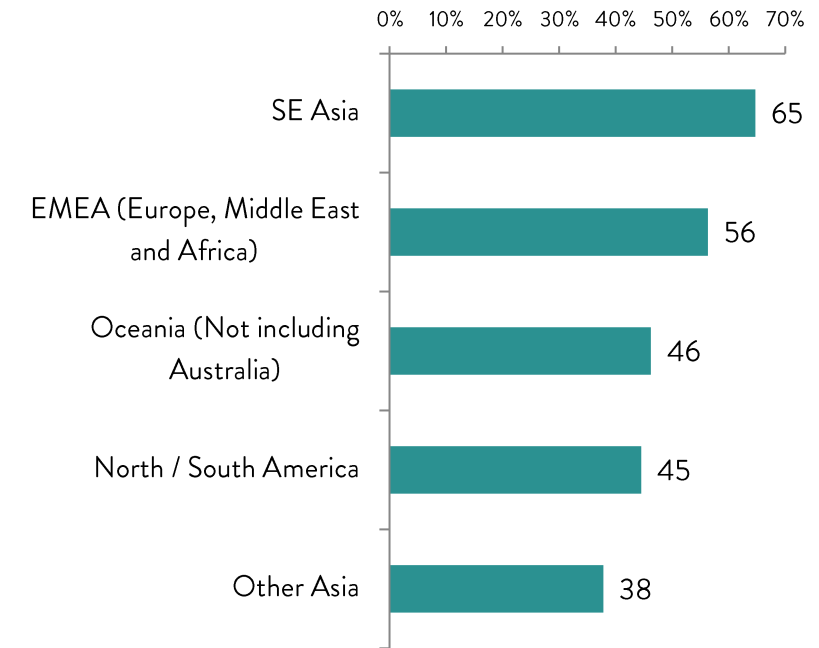
ANNUAL REVENUE



WHETHER ALSO OPERATES OVERSEAS



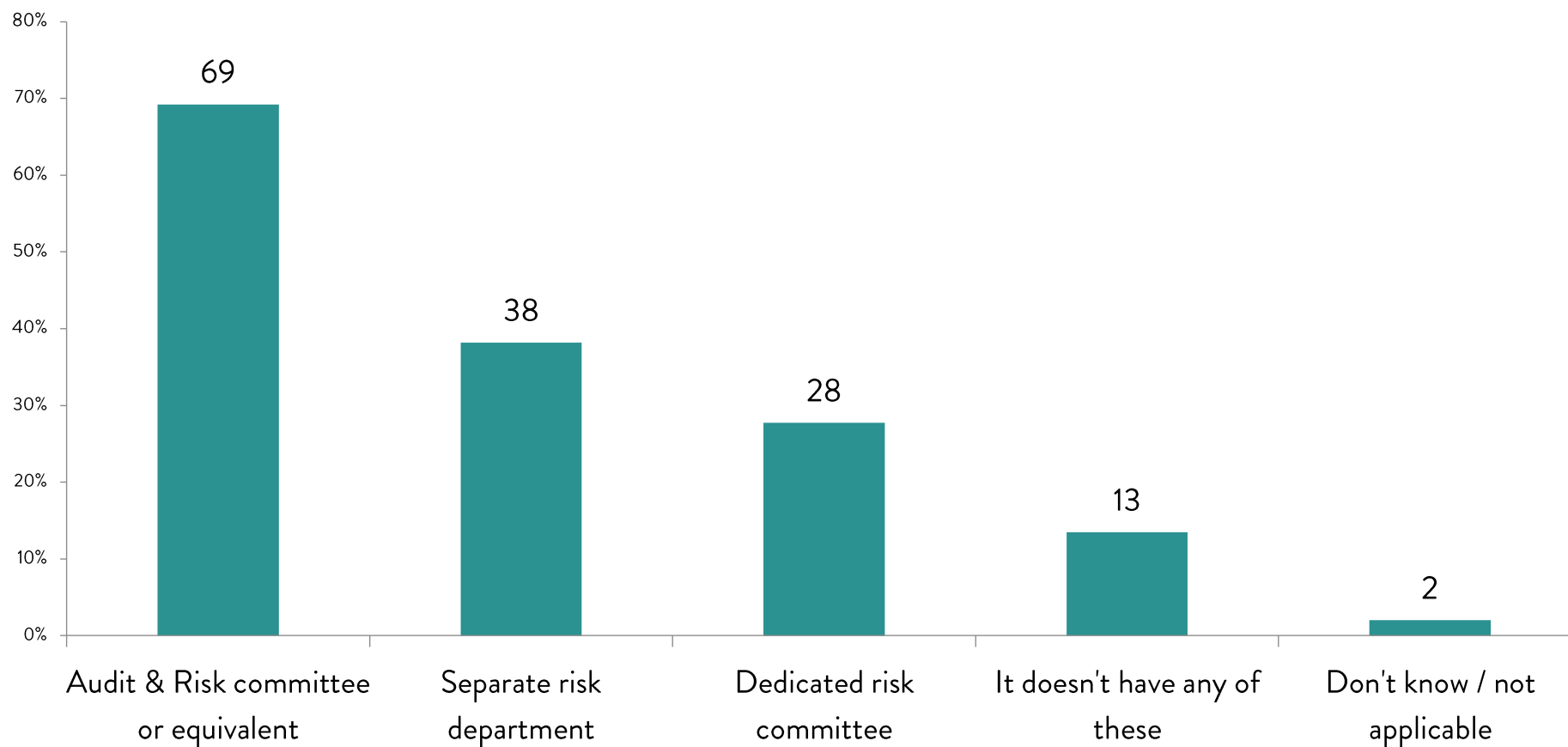
REGIONS ALSO OPERATE IN



Organisations range from small to extremely large; 13% under \$1m and 17% over \$1bn. Just under one-third operate overseas, most commonly SE Asia and EMEA.

03. Organisations and their risk setup

Risk functions at the respondent's company



Audit & risk committees is the most common risk function (69% of organisations). 38% have a separate risk department and 28% a risk committee.

13% have none of these.

Risk functions at the respondent's company by size and type of company

Column %	<\$1M	\$1m-\$100m	\$100m-\$500m	\$500m-\$1bn	\$1bn-\$10bn	\$10bn+
Separate risk department	10	20	54	59	63	93
Dedicated risk committee	18	27	29	31	23	48
Audit & Risk committee or equivalent	44	65	79	82	88	67
It doesn't have any of these	38	17	3	8	3	0
Don't know / not applicable	8	1	1	0	3	0

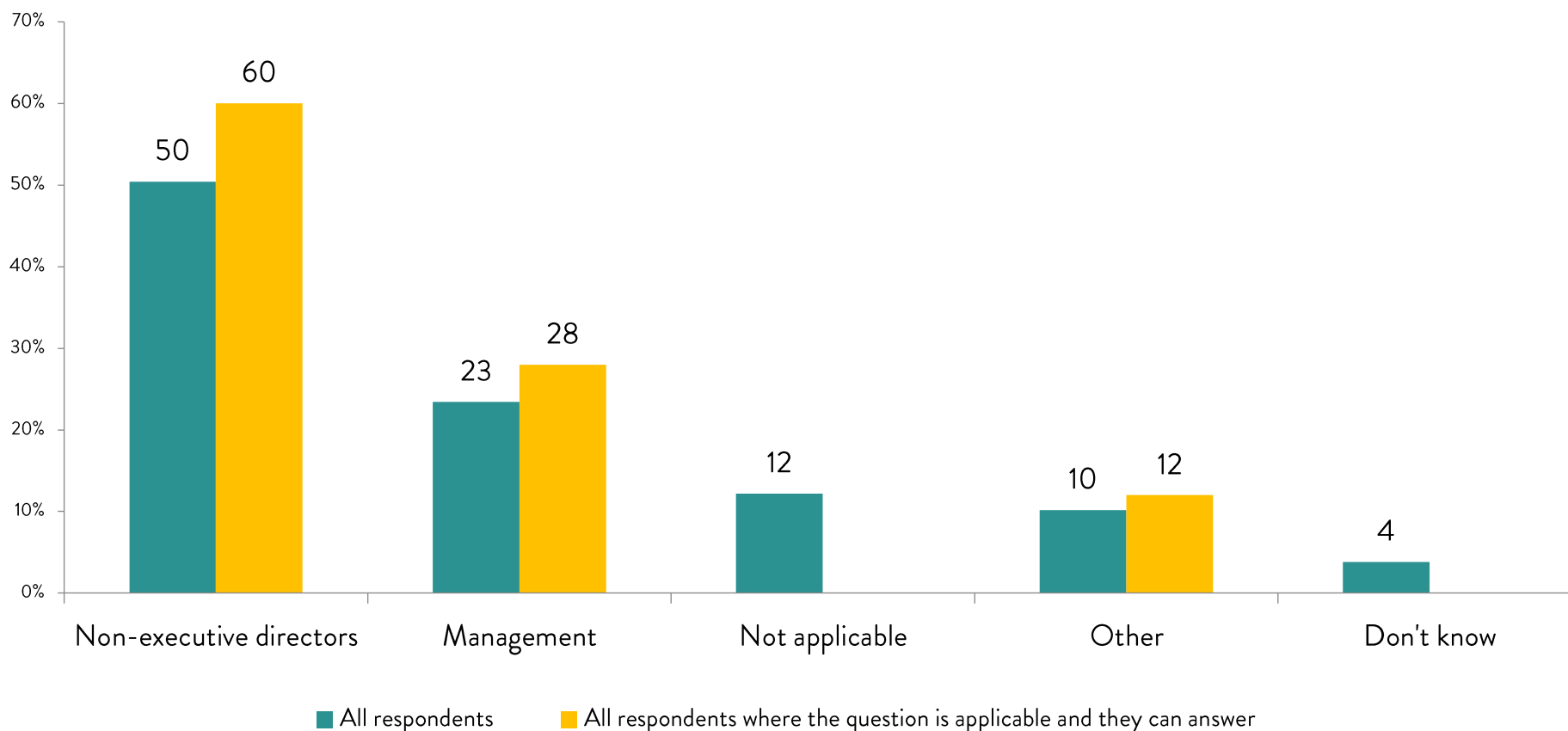
Column %	Not for profit	Government	An ASX listed business	An unlisted large business (200+ employees)	An SME	A sole trader
Separate risk department	26	50	64	45	12	0
Dedicated risk committee	25	27	40	27	20	20
Audit & Risk committee or equivalent	74	88	78	51	39	30
It doesn't have any of these	14	3	6	12	41	40
Don't know / not applicable	0	0	0	6	2	20

The bigger the organisation, the more likely they will have a separate risk department.

But even in organisations of \$550m-\$1bn, only 54% have one. They only become ubiquitous once a company turns over \$10bn+.

Risk departments are most common in Government and ASX listed businesses (but 26% of the latter do not have a risk department).

Who is on the Audit & Risk committee



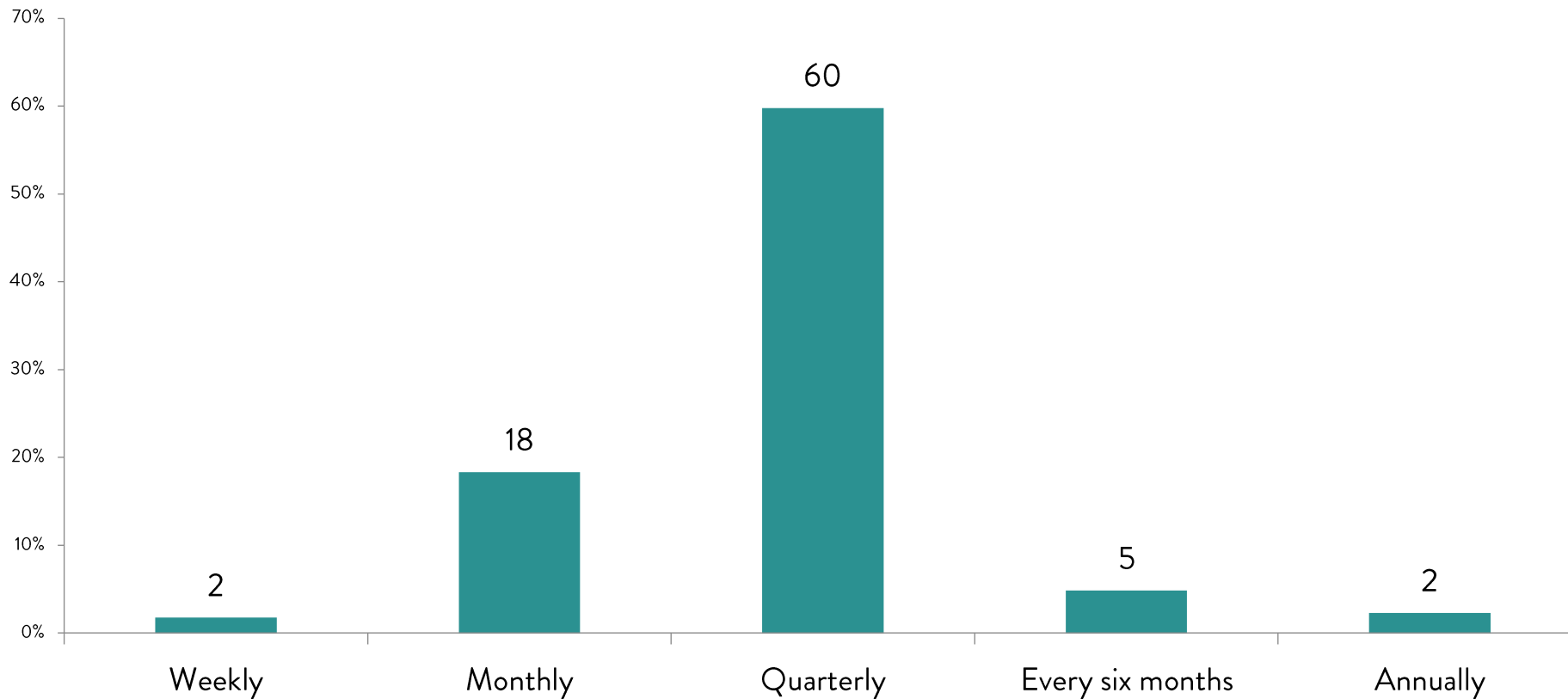
NED's are the most common members of an Audit & Risk committee.

Who is on the Audit & Risk committee

Column %	Not for profit	Government	An ASX listed business	An unlisted large business (200 employees)	An SME	A sole trader
Management	13	35	20	20	39	30
Non-executive directors	64	36	62	49	32	20
Other	9	21	6	10	2	0
Don't know	2	7	8	4	0	0
Not applicable	12	2	4	18	27	50

NED's dominate the committees in not for profits and commercial organisations whereas in Government it's a combination of management and NED's.

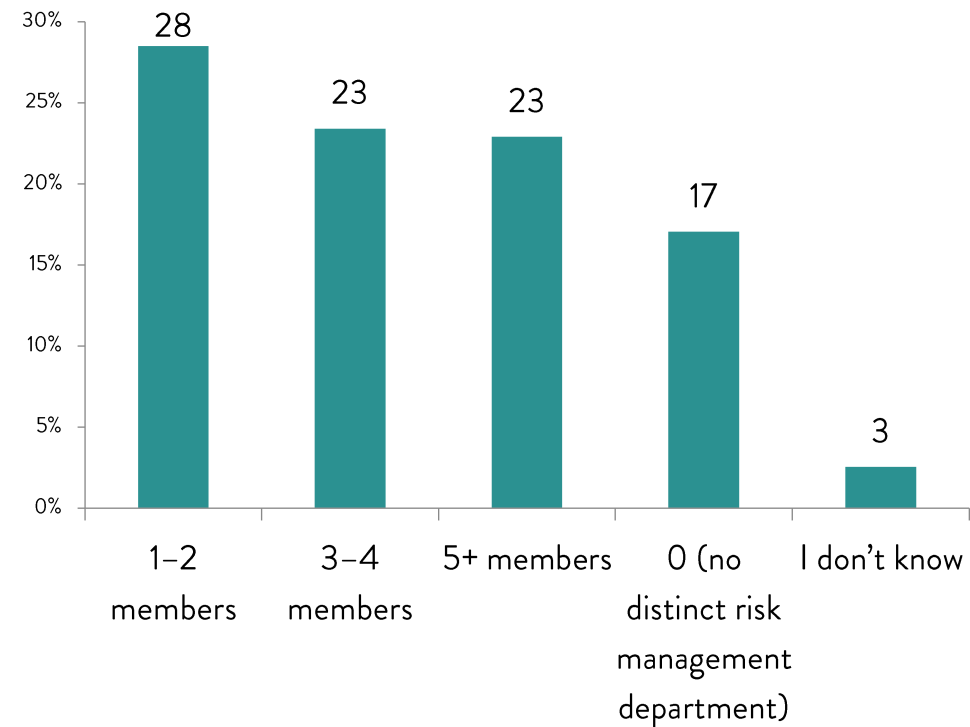
Number of times a year the committee meets



The majority of committees meet monthly with only 7% less regular than that.

Size of organisation's risk management department or team

AMONGST ALL RESPONDENTS

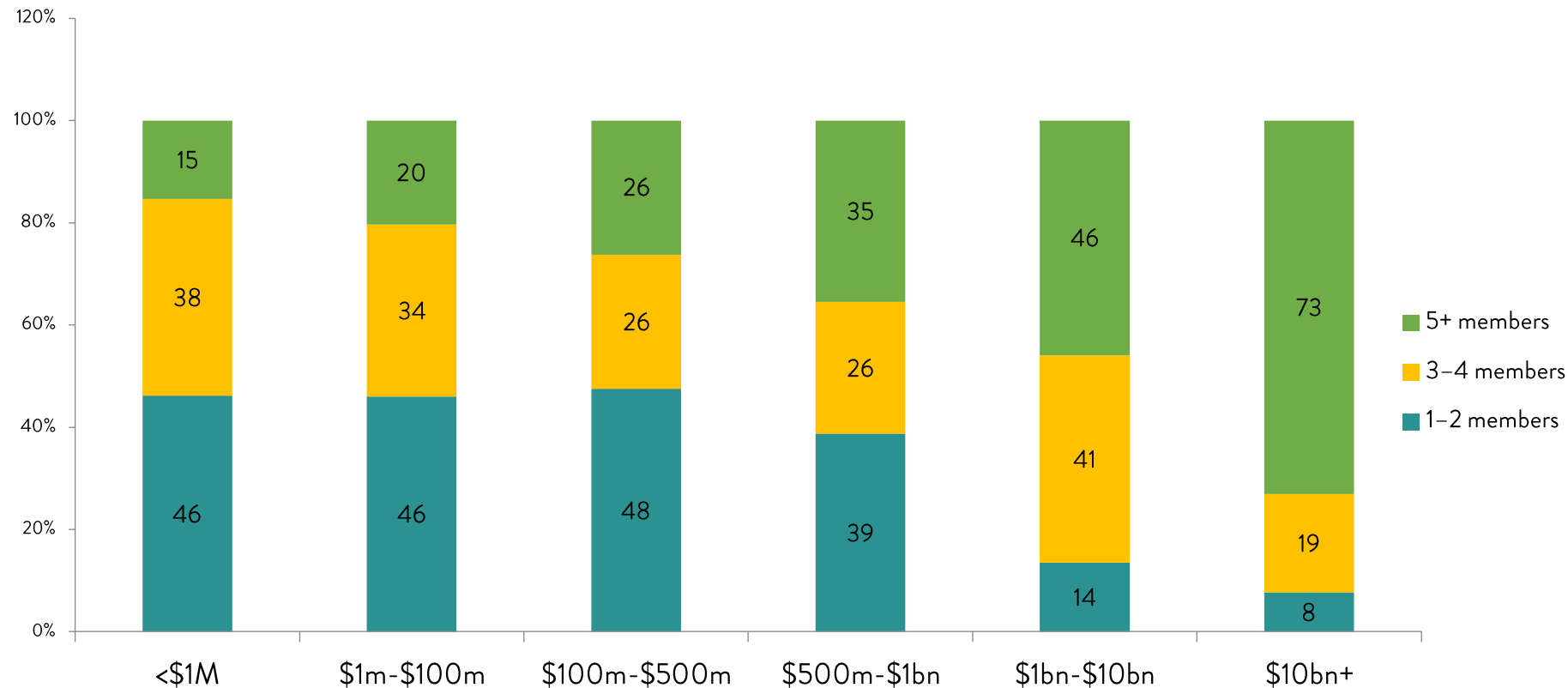


THOSE WITH A TEAM



The average risk department consists of 4 people but there is significant variation.

Size of organisation's risk management department or team by organisation revenue (amongst those that have a dept/ team)



The bigger the turnover, the bigger the department.

In business of less than \$1m, 74% are 4 or less in size. In \$10bn+ companies, 73% have a department of 5+ people.

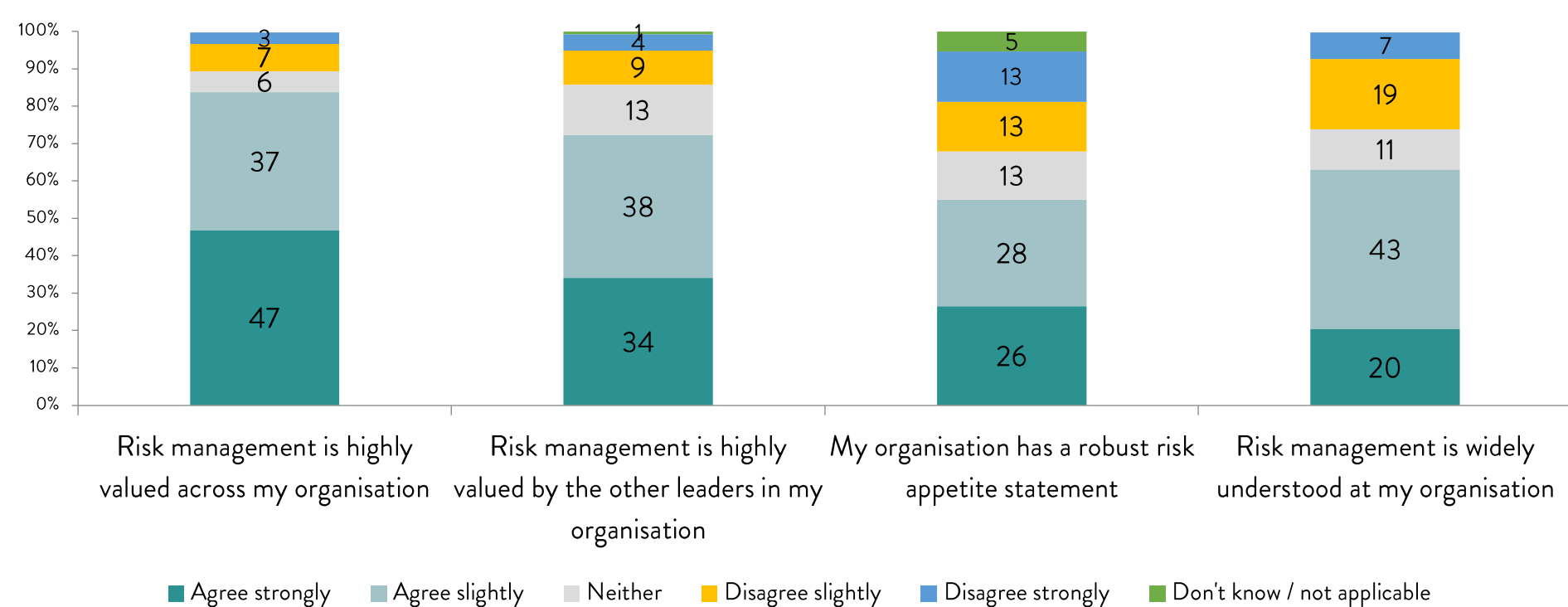
Where the respondent ranks in the risk management team



45% of respondents are either senior leaders or leaders in risk management teams.

04. Managing risk

Agreement with statements about risk management

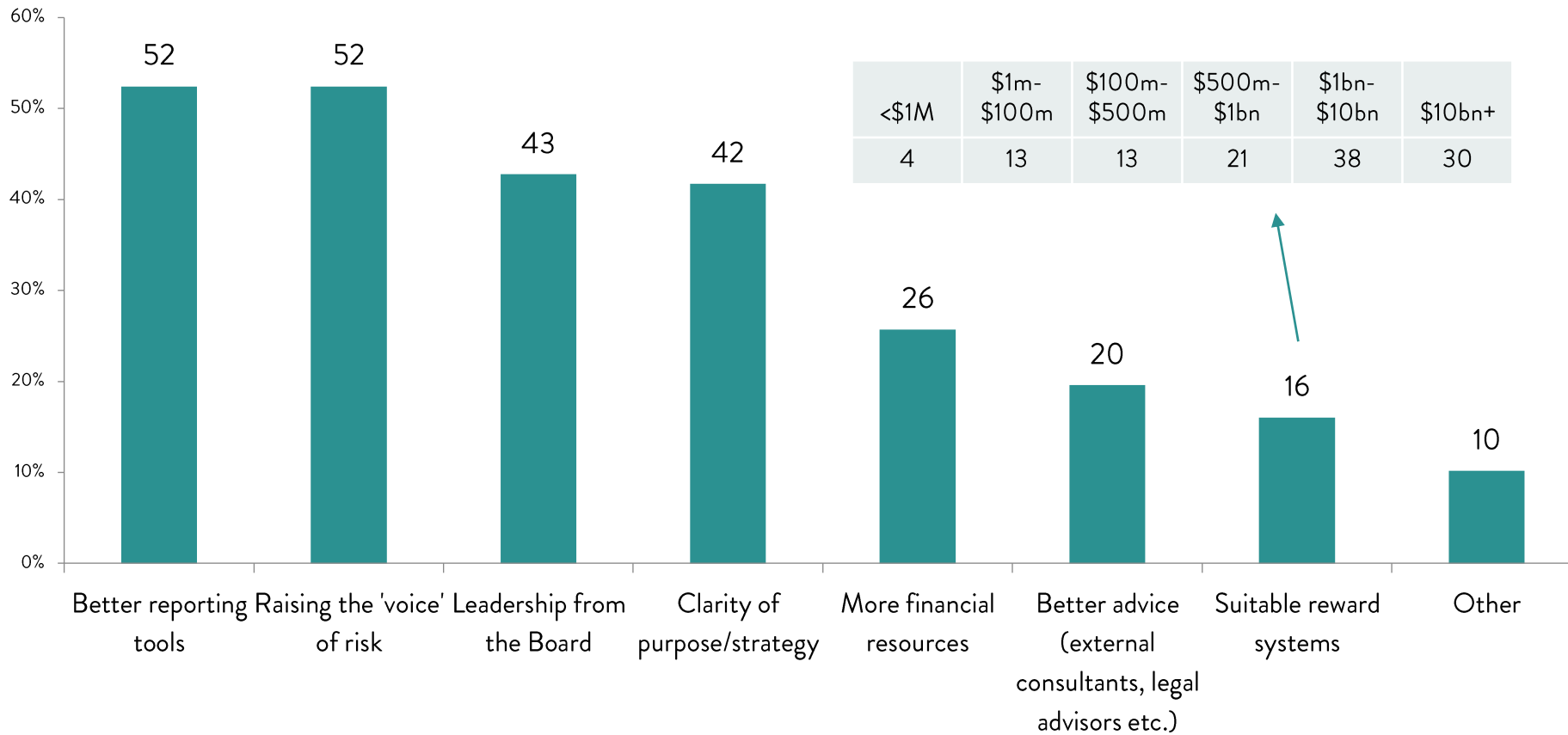


On the whole, risk management is highly valued.

70%+ agree that their organisation values it and 72% that other leaders value it (10% and 14% disagree).

But it's less clear cut when it comes to having a robust risk appetite statement (54% agree, 26% disagree) and risk management being widely understood at the organization (63% agree, 26% disagree).

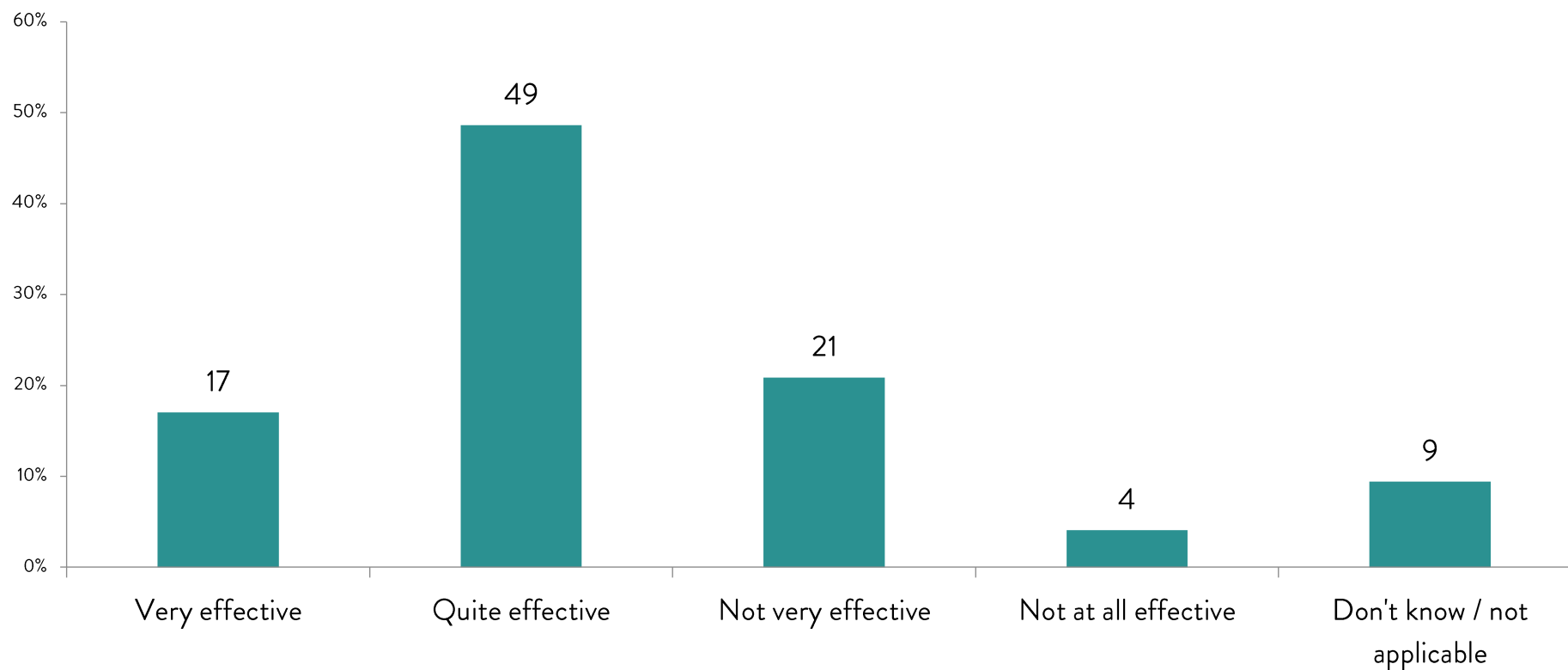
What could help the organisation improve its risk management culture



Better reporting tools and raising the voice of risk are the most commonly cited ways in which risk management cultures could be improved, followed by board leadership and clarity of purpose.

The bigger the organisation, the more likely they are to believe that suitable reward systems will help (as the likelihood of having a risk department grows).

How effective is your organisations' risk reporting to its board



On the whole, risk reporting is seen positively, though cautiously so.

Only 17% say that it is very effective with most (49%) saying that it is quite effective.

1 in 4 say that it is not effective.

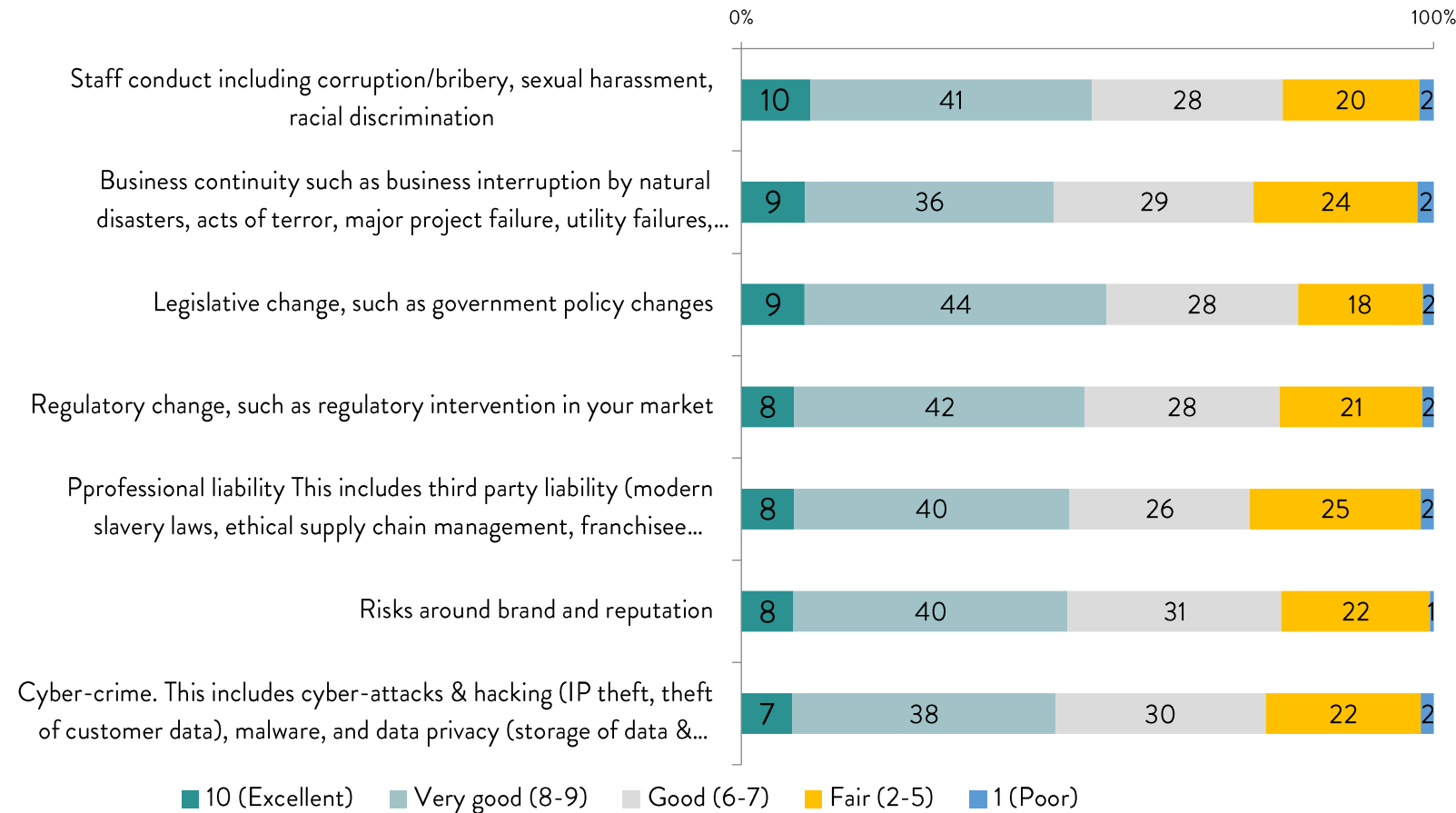
How effective is your organisations' risk reporting to its board by risk groups at company

Column %	Separate risk department	Dedicated risk committee	Audit & Risk committee or equivalent	It doesn't have any of these	Don't know / not applicable
Very effective	19	24	17	8	13
Quite effective	55	55	53	30	13
Not very effective	13	11	21	30	0
Not at all effective	5	4	3	9	0
Don't know / not applicable	9	6	6	23	75
Very effective + Quite effective	74	79	71	38	25

If a company has a risk department or a dedicated risk committee, it is more likely to be perceived as being effective/ less likely to be seen as not effective compared to those organisations that have an audit & risk committee.

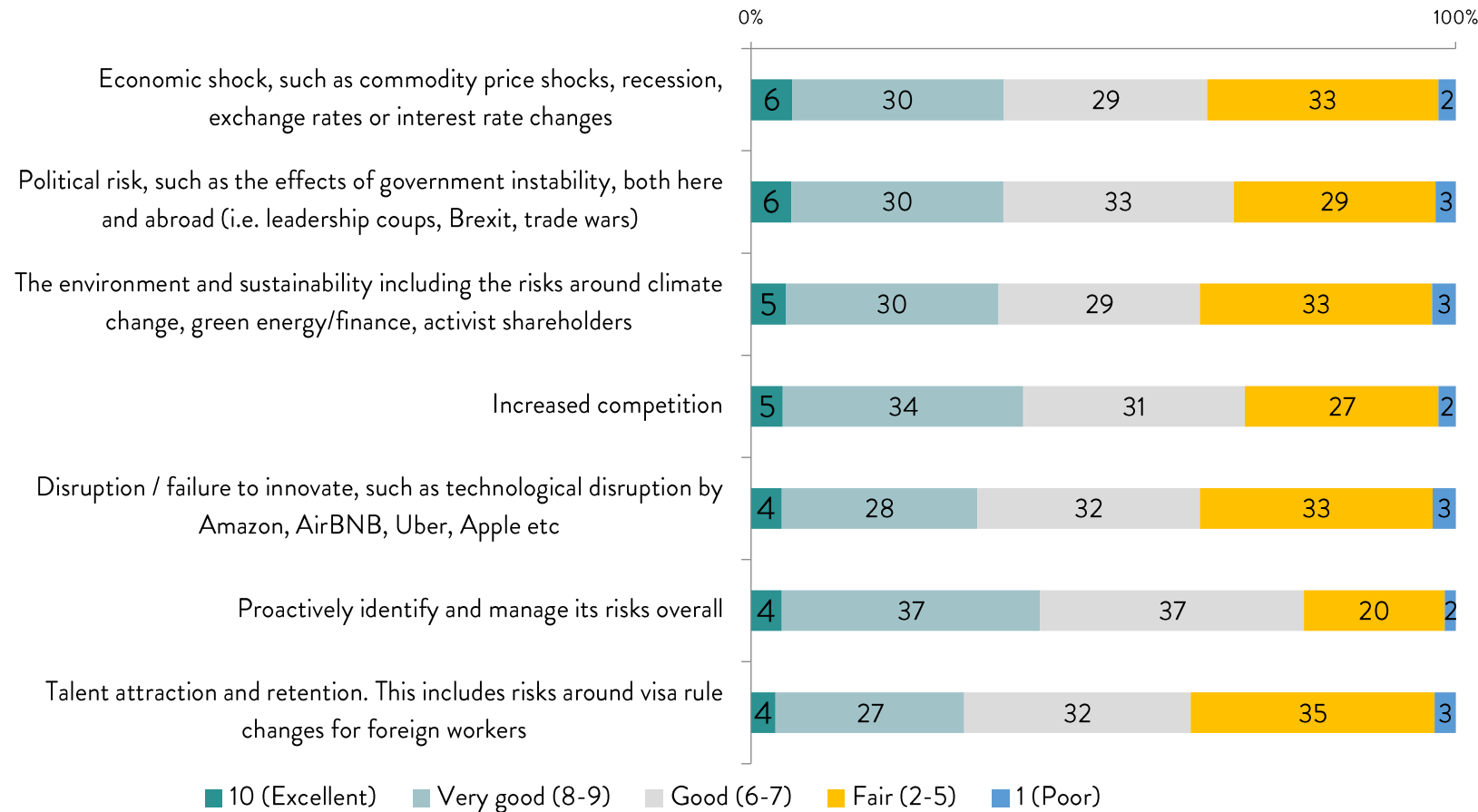
And if an organisation has none of these, then 39% say that risk reporting is not effective.

How well the company proactively identifies and manages its risks (1/2)



Staff conduct, legislative change and regulatory change are the risk issues that are best managed, with 50%+ rating them as excellent or very good.

How well the company proactively identifies and manages its risks (2/2)



The risk associated with talent, the threat of disruption/ failure to innovate, the risk around the environment and economic shock are the issues with highest number of fair/ poor ratings (35%+).

How well the company proactively identifies and manages its risks

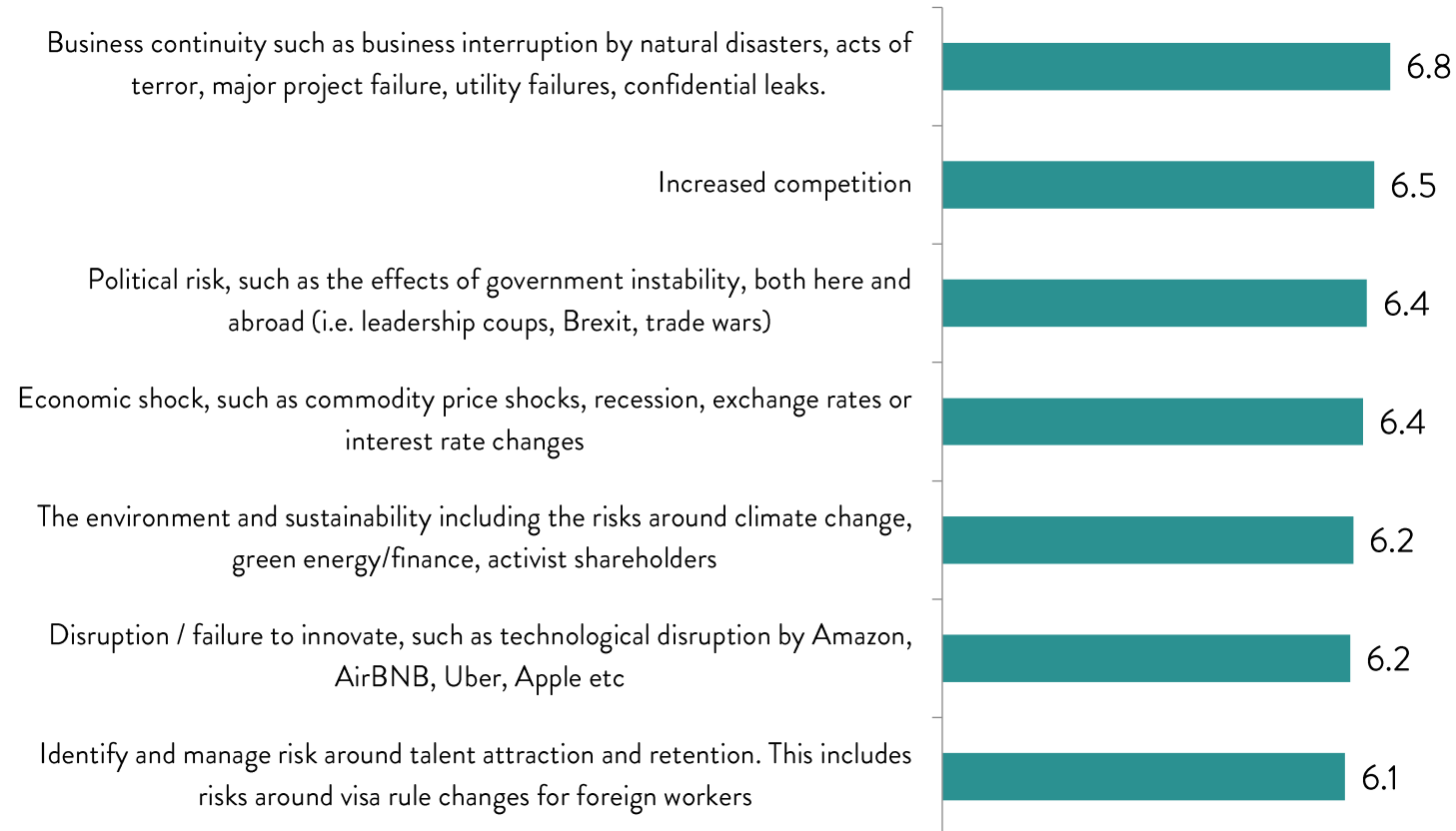
(1/2) NUMBERS ARE AVERAGES ON A SCALE OF 1-10 WHERE 1 IS POOR AND 10 IS EXCELLENT



Legislative changes has the highest average rating at 7.2/ 10, ahead of staff conduct.

How well the company proactively identifies and manages its risks

(2/2) NUMBERS ARE AVERAGES ON A SCALE OF 1-10 WHERE 1 IS POOR AND 10 IS EXCELLENT



The environment, disruption/ failure to innovate and talent are the issues that organisations are managing the risk around the least well.

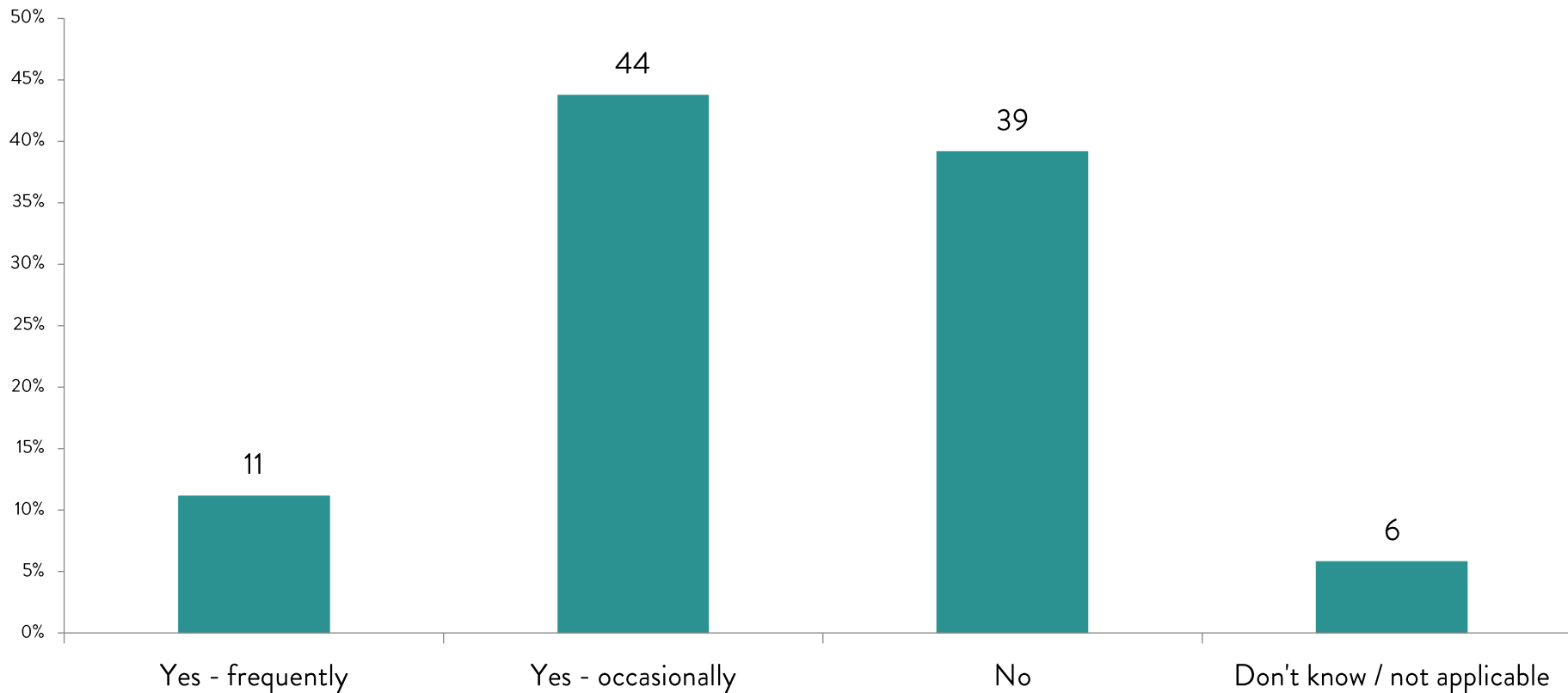
How well the company proactively identifies and manages its risks by risk setup

NUMBERS ARE AVERAGES ON A SCALE OF 1-10 WHERE 1 IS POOR AND 10 IS EXCELLENT

	Separate risk department	Dedicated risk committee	Audit & Risk committee or equivalent	It doesn't have any of these	Don't know / not applicable
Proactively identify and manage its risks overall	7.1	7.3	6.8	5.6	8.3
Risks around brand and reputation	7.4	7.4	7.0	5.9	8.7
Economic shock, such as commodity price shocks, recession, exchange rates or interest rate changes	6.7	7.0	6.4	5.1	8.0
Increased competition	6.8	6.8	6.6	5.4	8.3
Regulatory change, such as regulatory intervention in your market	7.4	7.5	7.1	5.4	9.0
Legislative change, such as government policy changes	7.6	7.8	7.3	5.7	8.6
Cyber-crime. This includes cyber-attacks & hacking (IP theft, theft of customer data), malware, and data privacy (storage of data & legal disclosure requirements).	7.5	7.8	7.1	5.4	9.3
Disruption / failure to innovate, such as technological disruption by Amazon, AirBNB, Uber, Apple etc	6.6	6.9	6.2	5.3	8.2
Talent attraction and retention. This includes risks around visa rule changes for foreign workers	6.4	6.7	6.1	5.1	7.8
Business continuity such as business interruption by natural disasters, acts of terror, major project failure, utility failures, confidential leaks.	7.2	7.7	6.9	5.4	8.8
Political risk, such as the effects of government instability, both here and abroad (i.e. leadership coups, Brexit, trade wars)	6.8	7.0	6.5	5.0	8.8
Professional liability This includes third party liability (modern slavery laws, ethical supply chain management, franchisee management).	7.0	7.4	6.9	5.8	8.8
Tithe environment and sustainability including the risks around climate change, green energy/finance, activist shareholders	6.5	6.9	6.3	5.3	8.2
Staff conduct including corruption/bribery, sexual harassment, racial discrimination	7.3	7.6	7.2	5.6	9.2



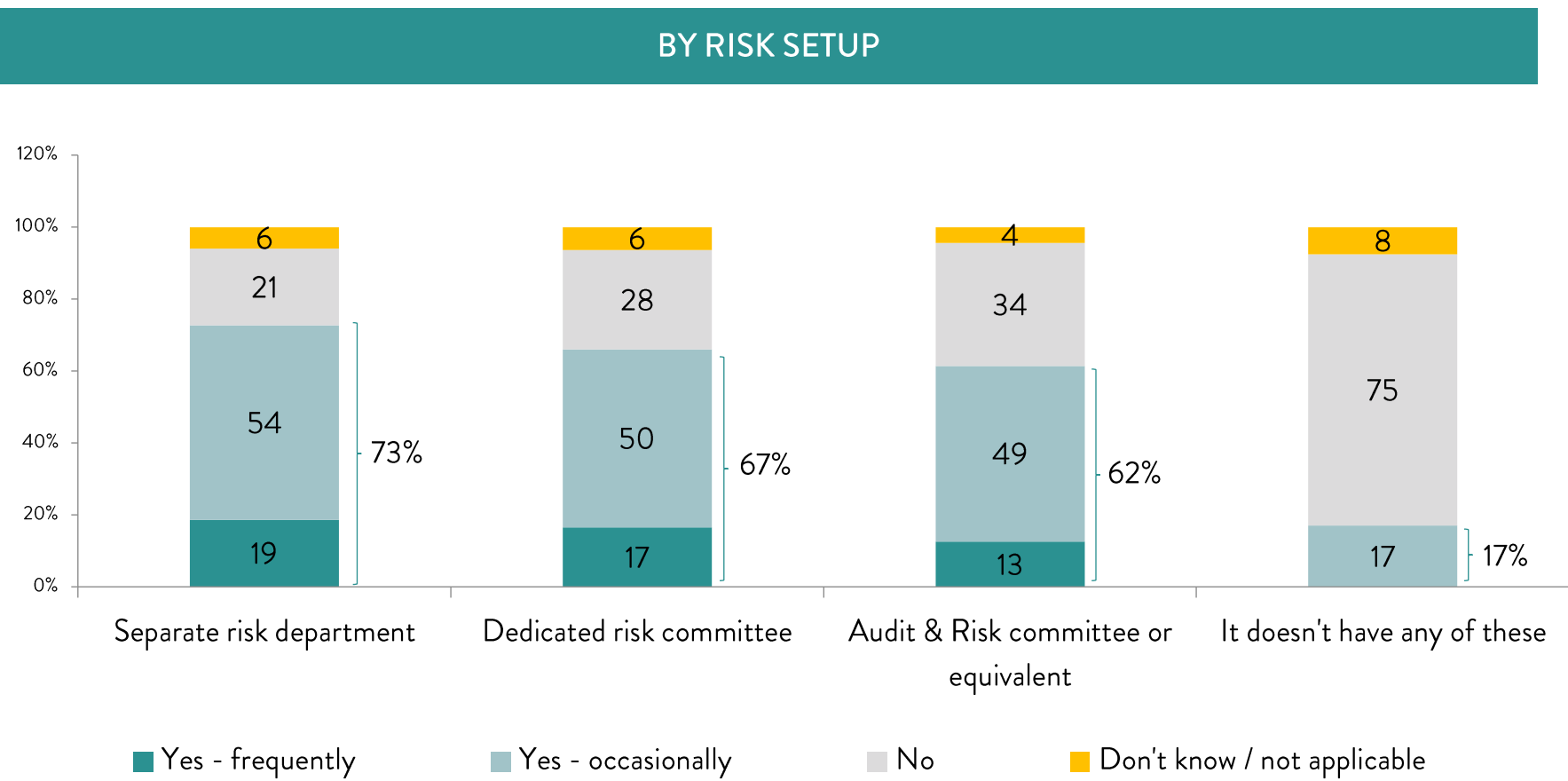
Whether company runs scenarios around risk events to test how the organisation & its people will respond - e.g. bushfire, loss of access to key people, disruption to supply chain?



55% of organisations run scenarios to test response, though more often not that is occasionally rather than frequently.

39% do not do this.

Whether company runs scenarios around risk events to test how the organisation & its people will respond - e.g. bushfire, loss of access to key people, disruption to supply chain?

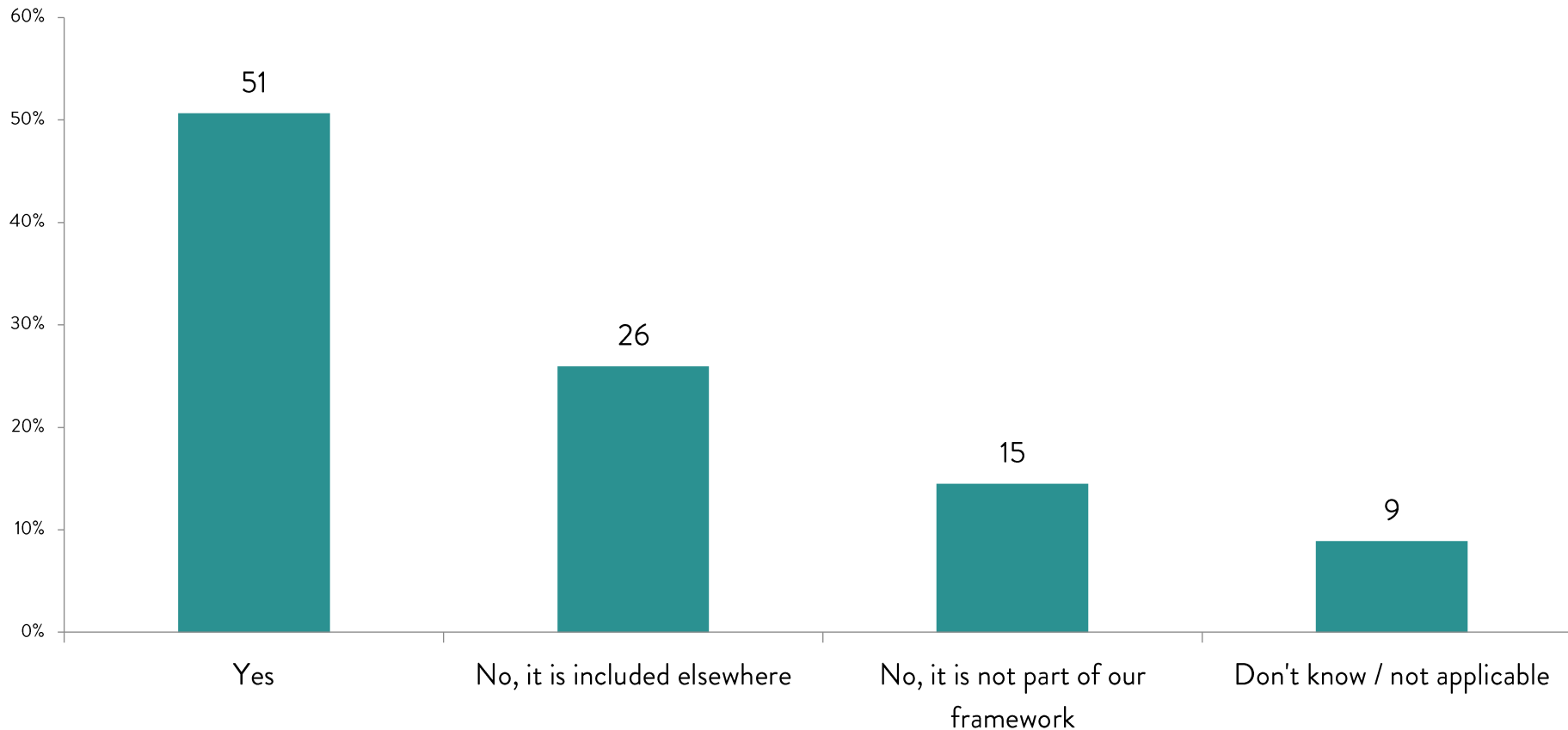


If an organisation has a separate risk department, it is most likely to run scenarios, though occasionally more so than frequently.

And if they have a dedicated risk department they do so more than if they have an audit and risk committee.

If they have none of these, only 17% run scenarios.

Whether company risk management framework incorporates whistleblower protection



Just over half of organisations risk frameworks include whistleblower protection.

A further 26% have it included elsewhere.

15% do not have it.

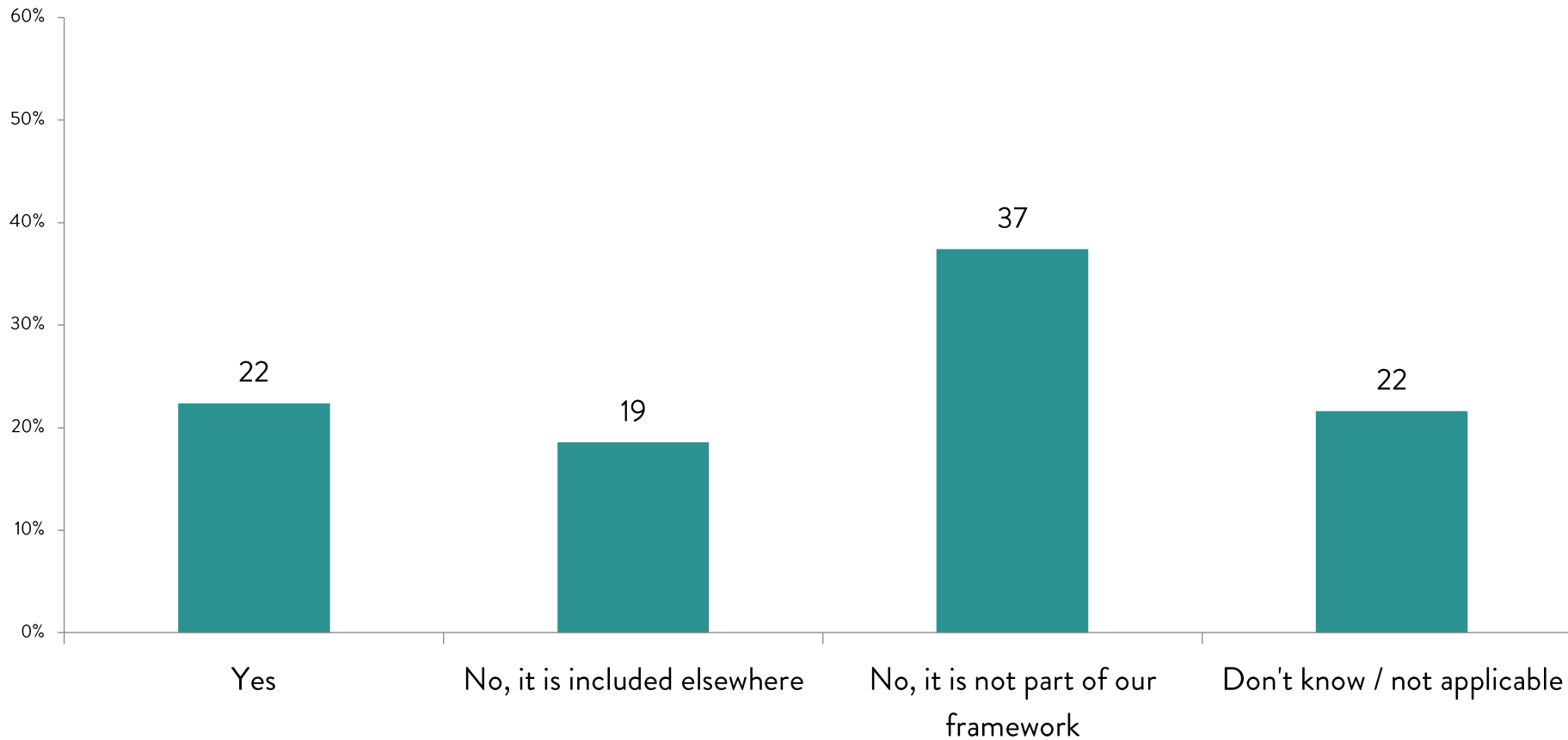
Whether company risk management framework incorporates whistleblower protection

Column %	Separate risk department	Dedicated risk committee	Audit & Risk committee or equivalent	It doesn't have any of these	Don't know / not applicable
Yes	63	64	51	28	25
No, it is included elsewhere	27	21	29	19	13
No, it is not part of our framework	3	8	12	36	
Don't know / not applicable	7	6	7	17	63

Column %	Not for profit	Government	An ASX listed business	An unlisted large business (200+ employees)	An SME	A sole trader
Yes	49	42	60	61	41	50
No, it is included elsewhere	22	40	24	27	12	10
No, it is not part of our framework	21	9	8	6	29	20
Don't know / not applicable	8	9	8	6	17	20

A separate risk department and dedicated risk committee increases the chances that whistleblower protection is covered.

Whether risk management framework incorporates modern slavery obligations



Modern slavery is less likely to be incorporated in the risk management framework.

22% incorporate it with 19% including it elsewhere.

Whether risk management framework incorporates modern slavery obligations

Column %	Separate risk department	Dedicated risk committee	Audit & Risk committee or equivalent	It doesn't have any of these	Don't know / not applicable
Yes	36	34	22	15	13
No, it is included elsewhere	27	20	22	8	0
No, it is not part of our framework	21	31	36	49	13
Don't know / not applicable	16	15	20	28	75

Column %	Not for profit	Government	An ASX listed business	An unlisted large business (200+ employees)	An SME	A sole trader
Yes	13	14	46	39	17	20
No, it is included elsewhere	15	26	26	18	20	0
No, it is not part of our framework	48	35	18	24	46	60
Don't know / not applicable	24	25	10	20	17	20

Again, organisations with a separate risk department are more likely to have incorporated modern slavery.



Whether risk management framework incorporates modern slavery obligations

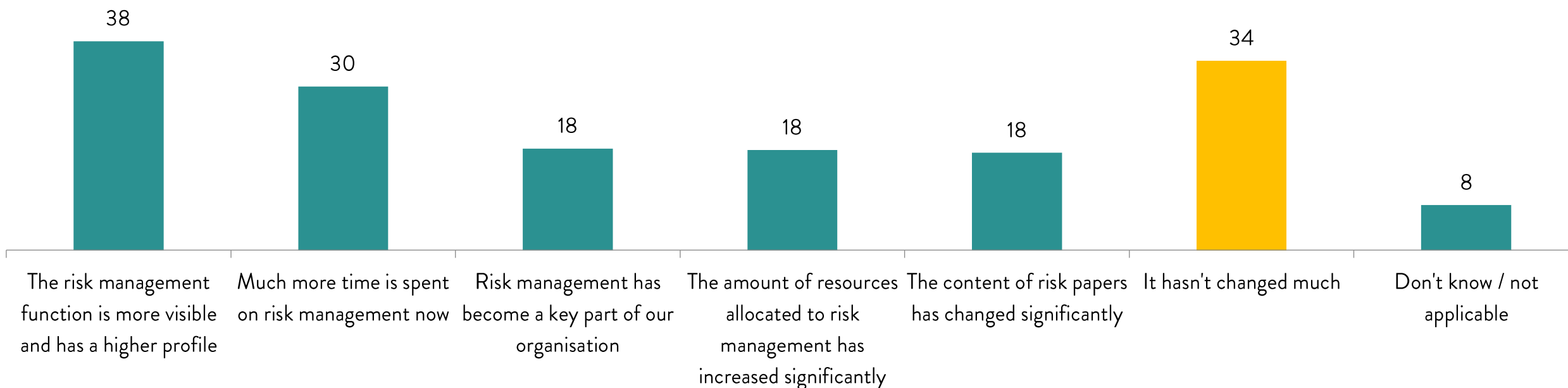
Column %	<\$1M	\$1m-\$100m	\$100m-\$500m	\$500m-\$1bn	\$1bn-\$10bn	\$10bn+
Yes	12	15	29	28	30	52
No, it is included elsewhere	20	12	21	26	35	15
No, it is not part of our framework	42	48	32	33	15	15
Don't know / not applicable	26	25	18	13	20	19

	WHETHER OPERATE INTERNATIONALLY	
Column %	Yes	No
Yes	36	17
No, it is included elsewhere	20	18
No, it is not part of our framework	29	41
Don't know / not applicable	15	24

Bigger organisations and those that operate internationally are more likely to incorporate modern slavery in their risk management frameworks. But even amongst those organisations, a significant proportion do not include it.

How risk management today differs from 2-3 years ago

(pre-Royal Commission into financial services) in terms of time spent, number of meetings, content of risk papers, visibility of the function



The majority, 58%, say that risk management has changed. Most commonly it has become more visible with a higher profile. 30% believe that more time is spent on risk management now.

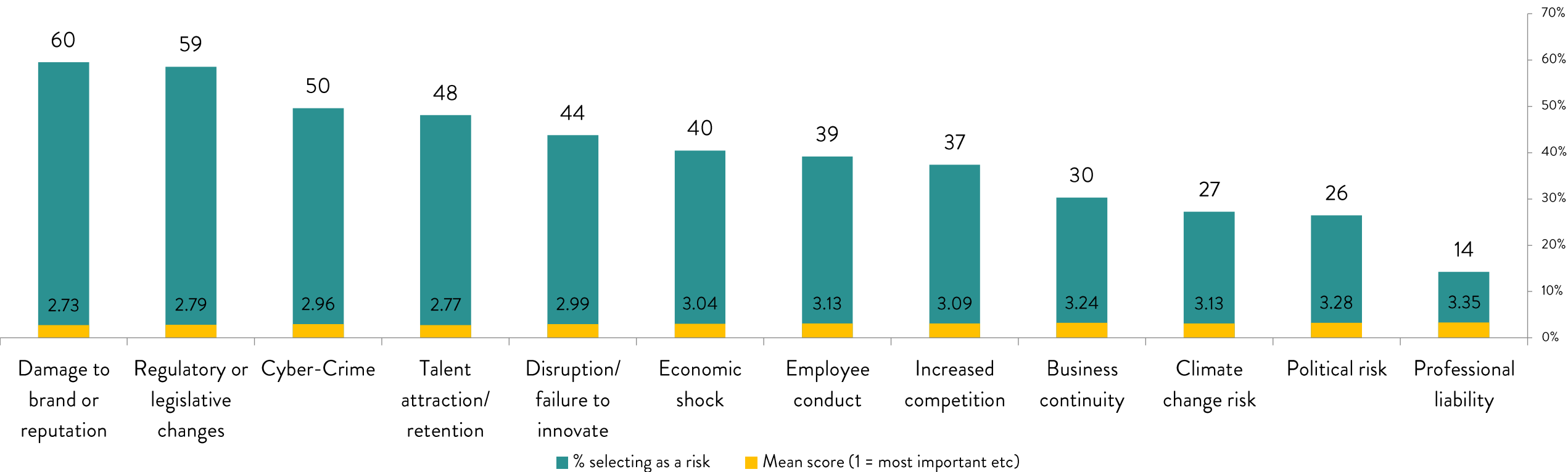
How risk management today differs from 2-3 years ago

(pre-Royal Commission into financial services) in terms of time spent, number of meetings, content of risk papers, visibility of the function

Column %	Separate risk department	Dedicated risk committee	Audit & Risk committee or equivalent	It doesn't have any of these
Much more time is spent on risk management now	40	39	33	17
The risk management function is more visible and has a higher profile	54	54	44	13
The content of risk papers has changed significantly	27	26	19	4
The amount of resources allocated to risk management has increased significantly	30	28	21	2
Risk management has become a key part of our organisation	23	24	21	6
It hasn't changed much	25	19	31	58
Don't know / not applicable	3	7	6	11

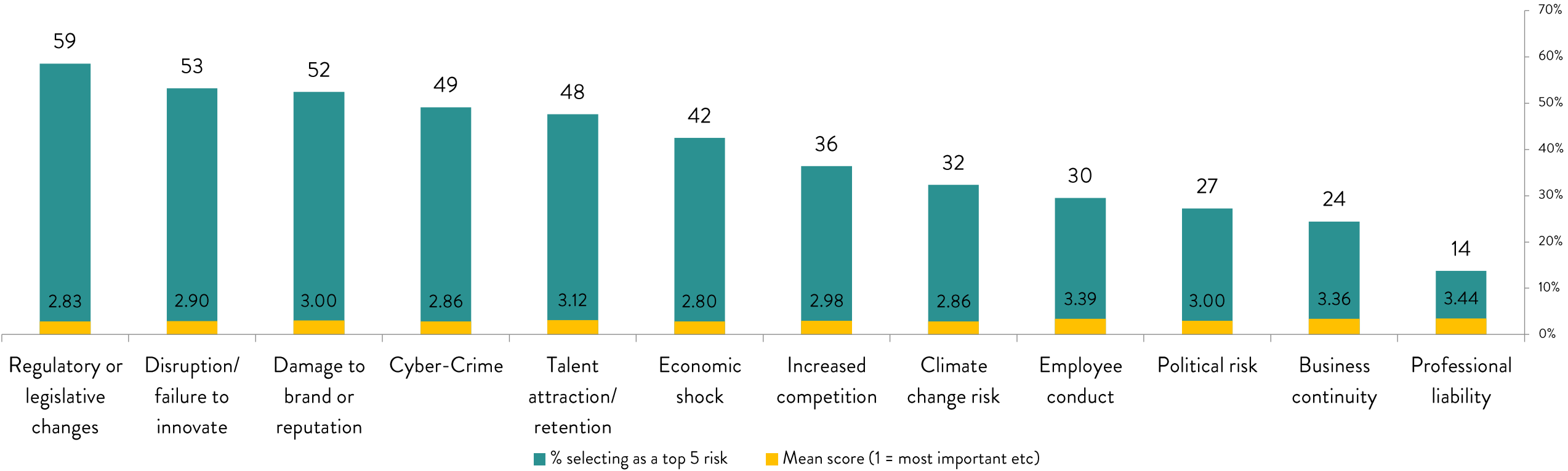
The sense that risk management has changed is felt more if an organisation has a separate risk department or a dedicated risk committee.

Top risks in the next three years (respondents ranked their top 5 where 1 = most important etc)



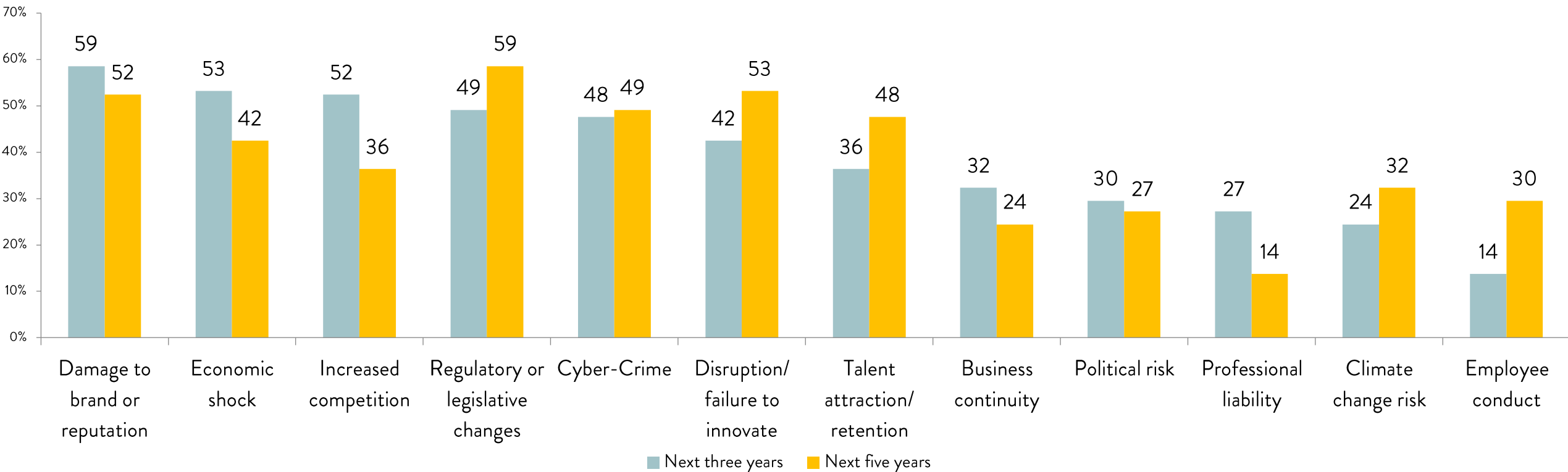
Brand / reputation damage is the most commonly cited risk in the next three years, ahead of regulatory/ legislative change and cyber crime .

Top risks in the next five years (respondents ranked their top 5 where 1 = most important etc)



Looking further to the next five years sees regulatory/ legislative change as the biggest risk, ahead of disruption/ failure to innovate.

Top risks in the next three and five years compared

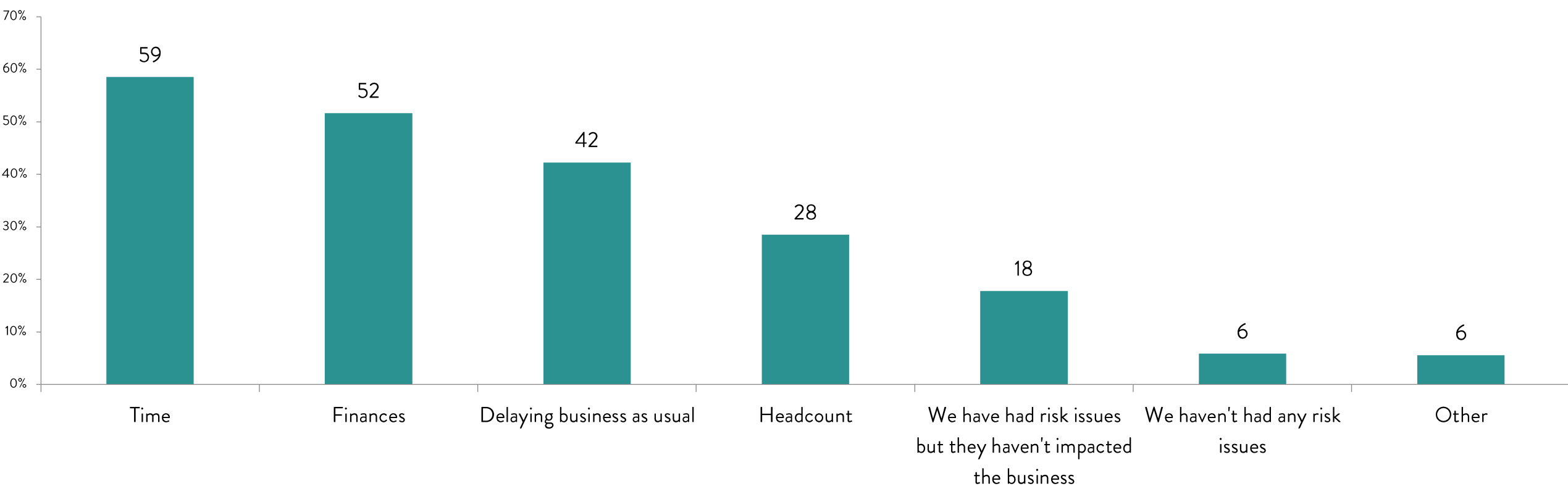


Damage to brand/ reputation, economic shock, increased competition, professional liability and business continuity are considered more of a short term risk. The opposite is true of regulatory/ legislative change, disruption, talent, climate change and employee conduct.

Whether managing any other risks



Impact any risk issues have had on broader business



Risk issues most commonly cost time and finances as well as delaying business as usual. Only a minority say that they have had risk issues but no impact from them or that they haven't had any risk issues.

05. Conclusions

In Summary (1/3)

RESPONDENT PROFILE

- NSW accounted for just under a third of responses, ahead of Queensland (22%) and Victoria (21%). 5% came from overseas.
- Just under half of respondents have a role spanning governance and risk. 24% are pure governance and 14% risk. It is a largely senior profile – 39% being senior governance or risk professionals, 17% C-suite.
- 44% of respondents were members and they tended to be more senior compared to the non-members that responded.
- 40% have formal risk management qualifications, higher amongst members than non-members.
- Respondents were a diverse set of respondents by organisation type. NFP and Government account for just over half of respondents with those in commerce coming from a range of sizes of organisation.
- Organisations represented range from small to extremely large; 13% under \$1m and 17% over \$1bn. Just under 1/3 operate overseas, most commonly SE Asia and EMEA.

RISK MANAGEMENT SETUP

- Audit & risk committees is the most common risk function. 38% have a separate risk department and 28% a risk committee. 1 in 7 organisations have none of these.
- The bigger the organisation, the more likely they will have a separate risk department. But even in organisations of \$550m-\$1bn, only 54% have one. They only become ubiquitous once a company turns over \$10bn+.
- Risk departments are most common in Government and ASX listed businesses (but 26% of the latter do not have a risk department).
- And if a company has an Audit & Risk committee, NED's are the most common members. NED's dominate the committees in not for profits and commercial organisations whereas in Government it's a combination of management and NED's.
- The majority of committees meet monthly with only 7% less regular than that.
- The average risk department consists of 4 people but there is significant variation. The bigger the turnover, the bigger the department.
- From 3 people in companies with less than \$1m turnover, it doubles (or increases by only 3) in companies over \$10bn.
- 45% of respondents are either senior leaders or leaders in risk management teams.

In Summary (2/3)

RISK MANAGEMENT IN DETAIL

- On the whole, risk management is highly valued. 70%+ agree that their organisation values it and 72% that other leaders value it (10% and 14% disagree).
- But it's less clear cut when it comes to having a robust risk appetite statement (54% agree, 26% disagree) and risk management being widely understood at the organisation (63% agree, 26% disagree).
- Better reporting tools and raising the voice of risk are the most commonly cited ways in which risk management cultures could be improved, followed by board leadership and clarity of purpose. The bigger the organization, the more likely they are to believe that suitable reward systems will help (as the likelihood of having a risk department grows).
- On the whole, risk reporting is seen positively, though cautiously so. Only 17% say that it is very effective with most (49%) saying that it is quite effective. Over 1 in 4 say that it is not effective.
- If a company has a risk department or a dedicated risk committee, it is more likely to be perceived as being effective/ less likely to be seen as not effective compared to those organisations that have an audit & risk committee. And if an organisation has none of these, then 39% say that risk reporting is not effective.
- Staff conduct, legislative change and regulatory change are the risk issues that are best managed, with 50%+ rating them as excellent or very good. The risk associated with talent, the threat of disruption/ failure to innovate, the risk around the environment and economic shock are the issues with highest number of fair/ poor ratings (35%+).
- 55% of organisations run scenarios to test response, though more often not that is occasionally rather than frequently. 39% do not ever run scenarios.
- If an organisation has a separate risk department, it is most likely to run scenarios, though occasionally more so than frequently. And if they have a dedicated risk department they do so more than if they have an audit and risk committee. If they have none of these, only 17% run scenarios.

In Summary (3/3)

RISK MANAGEMENT IN DETAIL

- Just over half of organisations risk frameworks include whistleblower protection. A further 26% have it included elsewhere whilst 15% do not have it. A separate risk department and dedicated risk committee increases the chances that whistleblower protection is covered.
- Modern slavery is less likely to be incorporated in the risk management framework. Again, organisations with a separate risk department are more likely to have incorporated modern slavery. Bigger organisations and those that operate internationally are more likely to incorporate modern slavery in their risk management frameworks. But even amongst those organisations, a significant proportion does not include it.
- The majority, 58%, say that risk management has changed. Most commonly it has become more visible with a higher profile. 30% believe that more time is spent on risk management now.
- The sense that risk management has changed is felt most if an organisation has a separate risk department or a dedicated risk committee.
- Brand / reputation damage is the most commonly cited risk in the next three years, ahead of regulatory/ legislative change and cyber crime .
- Looking further to the next five years sees regulatory/ legislative change as the biggest risk, ahead of disruption/ failure to innovate.
- Damage to brand/ reputation, economic shock, increased competition, professional liability and business continuity are considered more of a short term risk. The opposite is true of regulatory/ legislative change, disruption, talent, climate change and employee conduct.
- Risk issues most commonly cost time and finances as well as delaying business as usual. Only a minority say that they have had risk issues but no impact from them or that they haven't had any risk issues.

THANK YOU

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