



BUSINESS PAPER

Extraordinary Council Meeting

8 October 2024

ETHICAL DECISION MAKING & CONFLICT OF INTEREST

A Guiding Checklist for Councillors, Officers & Community Committees

ETHICAL DECISION MAKING

- Is the decision or conduct legal?
- Is it consistent with Government policy, Council's objectives and Code of Conduct?
- What will the outcome be for you, your colleagues, the Council, anyone else?
- Does it raise a conflict of Interest?
- Could your possible conflict of interest lead to private gain or loss at public expense?
- Can the decision be justified in terms of public interest?
- Would it withstand public scrutiny?

CONFLICT OF INTEREST

A Conflict of Interest is a clash between private interests and public duty. There are two types of conflict: Pecuniary – regulated by the Local Government Act and Department of Local Government and, Non-pecuniary – regulated by Codes of Conduct, ICAC, Ombudsman, Department of Local Government (advice only).

THE TEST FOR CONFLICT OF INTEREST

- Is it likely I could be influenced by personal interest in carrying out my public duty?
- Would a fair and reasonable person believe I could be so influenced?
- Conflict of interest is closely tied to the layperson's definition of "corruption" – using public office for private gain.
- Important to consider public perceptions of whether you have a conflict of interest.

IDENTIFYING PROBLEMS

- 1 Do I have private interest affected by a matter in which I am officially involved?
- 2 Is my official role one of influence or perceived influence over the matter?
- 3 Do my private interests conflict with my official role?

Whilst seeking advice is generally useful, the ultimate decision rests with the person concerned.

AGENCY ADVICE

Officers of the following agencies are available during office hours to discuss the obligations placed on Councillors, officers and community committee members by various pieces of legislation, regulation and codes.

Contact	Phone	Email
Narrandera Shire Council	02 6959 5510	council@narrandera.nsw.gov.au
Department of Local Government	02 4428 4100	olg@olg.nsw.gov.au
ICAC Toll free	02 8281 5999 1800 463 909	icac@icac.nsw.gov.au
NSW Ombudsman Toll Free	02 8286 1000 1800 451 524	nswombo@ombo.nsw.gov.au

COMMUNITY STRATEGIC PLAN THEMES

Section 14 Our Community

- 1.1 To live in an inclusive, healthy and tolerant community with a positive attitude toward others.
- 1.2 Work together to advocate for quality health, education, youth and social services.
- 1.3 To feel connected and safe.

Section 15 Our Environment

- 2.1 To value, care for and protect our natural environment.
- 2.2 Enhance our public spaces to enrich our community.
- 2.3 Maximise greater re-use of resources to increase sustainability within our community

Section 16 Our Economy

- 3.1 Create strong conditions for investment and job creation through quality infrastructure and proactive business support.
- 3.2 Encourage new housing supply to meet the needs of the community.

Section 17 Our Infrastructure

- 4.1 To have an improved and appropriately maintained road network.
- 4.2 Actively investigate opportunities to enhance our potable water quality.
- 4.3 To improve, maintain and value-add to our essential public and recreational infrastructure.

Section 18 Our Leadership

- 5.1 Have a Council that provides leadership through actions and effective communication.
- 5.2 Promote a community spirit that encourages volunteerism and values effective partnerships.

SEATING

General Manager George Cowan	MAYOR	Deputy General Manager Infrastructure Shane Wilson	Deputy General Manager Corporate & Community Cian Middleton
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Deputy Mayor

Media
Live Streaming
Guys

Council Administration
Assistant
Melissa Johnson

Executive Assistant
Vicki Maher

	PUBLIC GALLERY	

**Notice is hereby given that the Extraordinary Meeting of the Narrandera
Shire Council will be held in the Council Chambers on:
Tuesday 8 October 2024 at 2pm**

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- 1 **ACKNOWLEDGEMENT OF COUNTRY**
- 2 **HOUSE KEEPING**
- 3 **DISCLOSURE OF POLITICAL DONATIONS**
- 4 **PRESENT**
- 5 **APOLOGIES**
- 6 **DECLARATIONS OF INTEREST**
- 7 **PUBLIC QUESTION TIME**

No Public Question Time

8 OUR LEADERSHIP

8.1 COUNCILLORS OATH AND AFFIRMATION

Document ID: 754399
Author: Executive Assistant
Authoriser: General Manager
Theme: Our Leadership
Attachments: Nil

RECOMMENDATION

That:

1. Each Councillor in turn takes an oath or makes an affirmation of office before the General Manager in the prescribed form at this meeting.
2. A record be kept of the taking of an oath or the making of an affirmation.

PURPOSE

The purpose of this report is to advise Council of the process for taking the oath or affirmation of office and to provide an opportunity for that to occur.

SUMMARY

A Councillor must take an oath of office or make an affirmation of office at, or before, the first meeting of the Council after the Councillor is elected.

The oath or affirmation may be taken or made before the General Manager of the Council, an Australian legal practitioner, or a justice of the peace and is to be in the prescribed form.

RECORD OF OATH/AFFIRMATION

Each Councillor in turn is to take an oath or make an affirmation of office before the General Manager in the prescribed form at this meeting.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS

Policy

- N/A

Financial

- N/A

Legal / Statutory

Section 233A Local Government Act

- A Councillor who fails, without a reasonable excuse, to take the oath of office or make an affirmation of office in accordance with Section 223A is not entitled to attend a meeting as a Councillor (other than the first meeting of the Council after the Councillor is elected to the office or a meeting at which the Councillor takes the oath or makes the affirmation) until the Councillor has taken the oath or made the affirmation.
- Any absence of a Councillor from an ordinary meeting of the Council that the Councillor is not entitled to attend because of this section is taken to be an absence without prior leave of the Council.
- Failure to take an oath of office or make an affirmation of office does not affect the validity of anything done by a Councillor in the exercise of the Councillor's functions.
- The General Manager must ensure that a record is to be kept of the taking of an oath or the making of an affirmation (whether in the minutes of the Council meeting or otherwise).

Community Engagement / Communication

- Advertising of the Extraordinary Meeting of Council has been placed in the local newspaper, on Council's website and social media.

OPTIONS

Each Councillor can choose to take the oath or make the affirmation using the words below as set out in the Local Government Act.

- **The Oath**

I [*name of councillor*] swear that I will undertake the duties of the office of Councillor in the best interests of the people of Narrandera Shire and the Narrandera Shire Council and that I will faithfully and impartially carry out the functions, powers, authorities and discretions vested in me under the *Local Government Act 1993* or any other Act to the best of my ability and judgment.

- **The Affirmation**

I [*name of councillor*] solemnly and sincerely declare and affirm that I will undertake the duties of the office of Councillor in the best interests of the people of Narrandera Shire and the Narrandera Shire Council and that I will faithfully and impartially carry out the functions, powers, authorities and discretions vested in me under the *Local Government Act 1993* or any other Act to the best of my ability and judgment.

For abundant clarity, Section 232 of the Local Government Act describes the role of a Councillor as...

232 The role of a councillor

(1) The role of a councillor is as follows—

- (a) to be an active and contributing member of the governing body,
- (b) to make considered and well-informed decisions as a member of the governing body,
- (c) to participate in the development of the integrated planning and reporting framework,
- (d) to represent the collective interests of residents, ratepayers and the local community,
- (e) to facilitate communication between the local community and the governing body,
- (f) to uphold and represent accurately the policies and decisions of the governing body,
- (g) to make all reasonable efforts to acquire and maintain the skills necessary to perform the role of a councillor.

(2) A councillor is accountable to the local community for the performance of the council.

RECOMMENDATION

That:

1. Each Councillor in turn takes an oath or makes an affirmation of office before the General Manager in the prescribed form at this meeting.
2. A record be kept of the taking of an oath or the making of an affirmation.

8.2 ELECTION OF MAYOR 2024

Document ID: 754477
Author: Executive Assistant
Authoriser: General Manager
Theme: Our Leadership
Attachments: Nil

RECOMMENDATION

That Council:

1. Holds an election for the position of Mayor for a term ending in September 2026.
2. Chooses the method of voting, either *Ordinary Ballot*, *Preferential Ballot*, or by *Open Voting*.
3. Holds the election in accordance with Schedule 7 Local Government (General) Regulation 2021.

PURPOSE

The purpose of this report is to advise Council of the requirements and due process to elect the Mayor from amongst the Councillors.

SUMMARY

The Local Government Act requires a Mayor be elected by Councillors for a two-year term (unless a casual vacancy occurs).

The election is to be undertaken in accordance with the requirements of the Local Government Act, 1993 (LGA) and Local Government (General) Regulation 2021.

Completed nomination forms are required to be lodged with the General Manager prior to or at the 8 October 2024 Extraordinary meeting.

The General Manager will be the Returning Officer and will conduct the election.

OPTIONS AND PROPOSAL

Schedule 7 of the Local Government (General) Regulation 2021 outlines the voting process, and this is provided below.

1 Returning officer

The General Manager (or a person appointed by the General Manager) is the returning officer.

2 Nomination

- (1) A councillor may be nominated without notice for election as mayor or deputy mayor.
- (2) The nomination is to be made in writing by 2 or more councillors (one of whom may be the nominee). The nomination is not valid unless the nominee has indicated consent to the nomination in writing.
- (3) The nomination is to be delivered or sent to the returning officer.

- (4) The returning officer is to announce the names of the nominees at the council meeting at which the election is to be held.

3 Election

- (1) If only one councillor is nominated, that councillor is elected.
- (2) If more than one councillor is nominated, the council is to resolve whether the election is to proceed by preferential ballot, by ordinary ballot or by open voting.
- (3) The election is to be held at the council meeting at which the council resolves on the method of voting.
- (4) In this clause:
 - “*ballot*” has its normal meaning of secret ballot.
 - “*open voting*” means voting by a show of hands or similar means.

Part 2 Ordinary Ballot or Open Voting

4 Application of Part

This Part applies if the election proceeds by ordinary ballot or by open voting.

5 Marking of ballot-papers

- (1) If the election proceeds by ordinary ballot, the returning officer is to decide the manner in which votes are to be marked on the ballot-papers.
- (2) The formality of a ballot-paper under this Part must be determined in accordance with clause 345 of this Regulation as if it were a ballot-paper referred to in that clause.
- (3) An informal ballot-paper must be rejected at the count.

6 Count—2 candidates

- (1) If there are only 2 candidates, the candidate with the higher number of votes is elected.
- (2) If there are only 2 candidates and they are tied, the one elected is to be chosen by lot.

7 Count—3 or more candidates

- (1) If there are 3 or more candidates, the one with the lowest number of votes is to be excluded.
- (2) If 3 or more candidates then remain, a further vote is to be taken of those candidates and the one with the lowest number of votes from that further vote is to be excluded.
- (3) If, after that, 3 or more candidates remain, the procedure set out in sub-clause (2) is to be repeated until only 2 candidates remain.
- (4) A further vote is to be taken of the 2 remaining candidates.
- (5) Clause 6 of this Schedule then applies to the determination of the election as if the 2 remaining candidates had been the only candidates.
- (6) If at any stage during a count under sub-clause (1) or (2), 2 or more candidates are tied on the lowest number of votes, the one excluded is to be chosen by lot.

Part 3 Preferential Ballot

8 Application of Part

This Part applies if the election proceeds by preferential ballot.

9 Ballot-papers and voting

- (1) The ballot-papers are to contain the names of all the candidates. The councillors are to mark their votes by placing the numbers “1”, “2” and so on against the various names so as to indicate the order of their preference for all the candidates.
- (2) The formality of a ballot-paper under this Part is to be determined in accordance with section 345 of this Regulation as if it were a ballot-paper referred to in that section.
- (3) An informal ballot-paper must be rejected at the count.

10 Count

- (1) If a candidate has an absolute majority of first preference votes, that candidate is elected.
- (2) If not, the candidate with the lowest number of first preference votes is excluded and the votes on the unexhausted ballot-papers counted to him or her are transferred to the candidates with second preferences on those ballot-papers.
- (3) A candidate who then has an absolute majority of votes is elected, but, if no candidate then has an absolute majority of votes, the process of excluding the candidate who has the lowest number of votes and counting each of his or her unexhausted ballot-papers to the candidates remaining in the election next in order of the voter’s preference is repeated until one candidate has received an absolute majority of votes. The latter is elected.
- (4) In this clause, *absolute majority*, in relation to votes, means a number that is more than one-half of the number of unexhausted formal ballot-papers.

11 Tied candidates

- (1) If, on any count of votes, there are 2 candidates in, or remaining in, the election and the numbers of votes cast for the 2 candidates are equal, the candidate whose name is first chosen by lot is taken to have received an absolute majority of votes and is therefore taken to be elected.
- (2) If, on any count of votes, there are 3 or more candidates in, or remaining in, the election and the numbers of votes cast for 2 or more candidates are equal and those candidates are the ones with the lowest number of votes on the count of the votes, the candidate whose name is first chosen by lot is taken to have the lowest number of votes and is therefore excluded.

Part 4 General

12 Choosing by lot

To choose a candidate by lot, the names of the candidates who have equal numbers of votes are written on similar slips of paper by the returning officer, the slips are folded by the returning officer so as to prevent the names being seen, the slips are mixed, and one is drawn at random by the returning officer and the candidate whose name is on the drawn slip is chosen.

13 Result

The result of the election (including the name of the candidate elected as mayor or deputy mayor) is:

- (a) to be declared to the councillors at the council meeting at which the election is held by the returning officer, and
- (b) to be delivered or sent to the Deputy Secretary Office of Local Government and to the Secretary of Local Government New South Wales.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES**Theme**

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS**Policy**

- Mayoral delegations are dealt with in a separate report to this meeting.

Financial

- Fees payable to Mayor and Councillors are determined annually by the remuneration tribunal and allowed for in Council's budget.

Legal / Statutory

Sections 225 to 230, 290 and 295 of the NSW Local Government Act, 1993 and Section 394 and Schedule 7 of the Local Government (General) Regulation 2021.

- Section 226 of the LGA outlines the role of the Mayor

The role of the mayor is as follows: -

- (a) to be the leader of the council and a leader in the local community,
- (b) to advance community cohesion and promote civic awareness,
- (c) to be the principal member and spokesperson of the governing body, including representing the views of the council as to its local priorities,
- (d) to exercise, in cases of necessity, the policy-making functions of the governing body of the council between meetings of the council,
- (e) to preside at meetings of the council,
- (f) to ensure that meetings of the council are conducted efficiently, effectively and in accordance with this Act,
- (g) to ensure the timely development and adoption of the strategic plans, programs and policies of the council,
- (h) to promote the effective and consistent implementation of the strategic plans, programs and policies of the council,
- (i) to promote partnerships between the council and key stakeholders,
- (j) to advise, consult with and provide strategic direction to the general manager in relation to the implementation of the strategic plans and policies of the council,
- (k) in conjunction with the general manager, to ensure adequate opportunities and mechanisms for engagement between the council and the local community,

- (l) to carry out the civic and ceremonial functions of the mayoral office,
- (m) to represent the council on regional organisations and at inter-governmental forums at regional, State and Commonwealth level,
- (n) in consultation with the councillors, to lead performance appraisals of the general manager,
- (o) to exercise any other functions of the council that the council determines.

Community Engagement / Communication

- Public advertising of the mayoral elections provided in the local newspaper, on Council's website and social media.

RECOMMENDATION

That Council:

1. Holds an election for the position of Mayor for a term ending in September 2026.
2. Chooses the method of voting, either *Ordinary Ballot*, *Preferential Ballot*, or by *Open Voting*.
3. Holds the election in accordance with Schedule 7 Local Government (General) Regulation 2021.

8.3 ELECTION OF DEPUTY MAYOR 2024

Document ID: 754472
Author: Executive Assistant
Authoriser: General Manager
Theme: Our Leadership
Attachments: Nil

RECOMMENDATION

That Council:

1. Determines to elect a Deputy Mayor for a two-year term, the same as the Mayoral term.
2. Chooses the method of voting, either *Ordinary Ballot*, *Preferential Ballot*, or by *Open Voting*.
3. Conducts the election in accordance with Schedule 7 Local Government (General) Regulation 2021.

PURPOSE

The purpose of this report is to advise Council of the requirements and due process to elect the Deputy Mayor from amongst the Councillors.

SUMMARY

Councils may determine to elect a Deputy Mayor.

If Council elects a Deputy Mayor, it is proposed that the term reflects the term of the Mayor. The election is to take place immediately following the election of the Mayor.

The same voting options are provided for the election of the Deputy Mayor as are available for the Mayor (Section 394 and Schedule 7 of the Local Government (General) Regulation).

Completed nomination forms are required to be lodged with the General Manager prior to or at the 8 October 2024 Extraordinary meeting.

The General Manager will be the Returning Officer and will conduct the election.

OPTIONS AND PROPOSAL

The options for the Deputy Mayor role are:

1. No Deputy Mayor be elected for Narrandera Shire Council.
2. A Deputy Mayor be elected for two years, the same term as the Mayor.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS**Policy**

- N/A

Financial

- The Mayor may choose to provide additional payment of allowances to the Deputy Mayor. Fees payable to Mayor and Councillors are determined annually by the remuneration tribunal and allowed for in Council's Annual Budget

Legal / Statutory

Section 231 of the Local Government Act says:

- (1) The councillors may elect a person from among their number to be the deputy mayor.
- (2) The person may be elected for the mayoral term or a shorter term.
- (3) The deputy mayor may exercise any function of the mayor at the request of the mayor or if the mayor is prevented by illness, absence or otherwise from exercising the function or if there is a casual vacancy in the office of mayor.
- (4) The councillors may elect a person from among their number to act as deputy mayor if the deputy mayor is prevented by illness, absence or otherwise from exercising a function under this section, or if no deputy mayor has been elected.

Community Engagement / Communication

- Public advertising of the Mayor and Deputy Mayor elections provided in the local newspaper, on Council's website and social media.

RISKS

If the election is not resolved at the 8 October 2024 Extraordinary meeting, there will be no Deputy Mayor for Narrandera Shire until a later date.

RECOMMENDATION

That Council:

1. Determines to elect a Deputy Mayor for a two-year term, the same as the Mayoral term.
2. Chooses the method of voting, either *Ordinary Ballot*, *Preferential Ballot*, or by *Open Voting*.
3. Conducts the election in accordance with Schedule 7 Local Government (General) Regulation 2021.

8.4 DELEGATIONS TO THE MAYOR

Document ID: 754442

Author: Executive Assistant

Authoriser: General Manager

Theme: Our Leadership

Attachments: 1. Draft - Delegation of Mayor [↓](#) 

RECOMMENDATION

That Council:

1. In accordance with Section 377 of the NSW Local Government Act, 1993, approves the Delegations for the Mayor as contained in Attachment 1 – Mayor Delegation of Authority.

PURPOSE

The purpose of this report is to seek Council endorsement of the Mayoral delegations.

SUMMARY

Following the local government election and the election of the Mayor at this meeting it is necessary for Council to adopt fresh delegations for the Mayor.

BACKGROUND

The Local Government Act makes specific provisions regarding the role of the Mayor. In addition, the Mayor has a role in representing the Council, speaking to the media, acting in emergencies to approve expenditures, and the appointment of acting General Managers that should be exercised between meetings.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS

Policy

- The delegations to the Mayor are limited to acting in accordance with adopted Council policy.

Financial

- The delegation has a financial limit of \$2,000.

Legal / Statutory

- Sec 226 of the Local Government Act 1993 describes the role of the Mayor in the following terms:
 - (a) to be the leader of the council and a leader in the local community,
 - (b) to advance community cohesion and promote civic awareness,
 - (c) to be the principal member and spokesperson of the governing body, including representing the views of the council as to its local priorities,
 - (d) to exercise, in cases of necessity, the policy-making functions of the governing body of the council between meetings of the council,
 - (e) to preside at meetings of the council,
 - (f) to ensure that meetings of the council are conducted efficiently, effectively and in accordance with this Act,
 - (g) to ensure the timely development and adoption of the strategic plans, programs and policies of the council,
 - (h) to promote the effective and consistent implementation of the strategic plans, programs and policies of the council,
 - (i) to promote partnerships between the council and key stakeholders,
 - (j) to advise, consult with and provide strategic direction to the General Manager in relation to the implementation of the strategic plans and policies of the council,
 - (k) in conjunction with the General Manager, to ensure adequate opportunities and mechanisms for engagement between the council and the local community,
 - (l) to carry out the civic and ceremonial functions of the mayoral office,
 - (m) to represent the council on regional organisations and at inter-governmental forums at regional, State and Commonwealth level,
 - (n) in consultation with the councillors, to lead performance appraisals of the General Manager,
 - (o) to exercise any other functions of the council that the council determines.

RISKS

The risk is that the Mayor of the day is expected to act on a situation and cannot do so without these delegations.

OPTIONS

1. Council endorses the adoption of these delegations, or
2. Council approves some other form of delegation.

CONCLUSION

It is essential that the Mayor can carry on the business of the Council between meetings should the situation arise. The adoption of these delegations will facilitate good governance.

RECOMMENDATION

That Council:

1. In accordance with Section 377 of the NSW Local Government Act, 1993, approves the Delegations for the Mayor as contained in Attachment 1 – Mayor Delegation of Authority.

DELEGATION OF AUTHORITY

SECTION 377, LOCAL GOVERNMENT ACT, 1993

**MAYOR****INTERPRETATION OF DELEGATIONS**

- a. This instrument of delegation should be construed as operating in a manner which is valid and within the powers conferred on the Council under the Local Government Act 1993.
- b. The instrument recognises that certain functions are conferred on the Mayor under Sec 226 of the Local Government Act 1993, including to be the leader of the Council and in the local community.
- c. References to the decisions of Council are references to decisions made by Council from time to time.
- d. References to policies of the Council are references to policies adopted by Council from time to time.
- e. These delegations are not intended to limit the Mayor's ability to carry out such other functions and exercise such other powers as the Council may determine from time to time or as may be functions of the Mayor under the Local Government Act 1993.

DELEGATIONS

Council hereby delegates to the position of **Mayor**, on an ongoing basis the functions listed below in Schedule 1 subject to the powers, authorities, duties and functions of Council, that are:

1. Reserved to the Council by Section 377 and Section 379 of the Local Government Act 1993.
2. Which are required by any legislation or instrument to be performed by the Council.
3. Delegated to the General Manager from time to time.
4. Subject to the limitations set out in Schedule 2 below.

Which powers, authorities, duties and functions are to be exercised in a manner consistent with Council's policies and decisions applicable from time-to-time.

SCHEDULE 1**Policy and Procedure**

5. To carry out any function conferred on and duty imposed on the Mayor under any Act or regulation. If, under any other Act other than the Local Government Act 1993, a function is conferred or imposed on the Mayor of Council, the function is

**DELEGATION OF AUTHORITY
SECTION 377, LOCAL GOVERNMENT ACT, 1993****MAYOR**

taken to be conferred or imposed on the Council and the Mayor of the Council has delegated authority to exercise and/or perform on behalf of the Council the powers, authorities, duties and functions as prescribed under that other Act.

6. To give effect to the Law, Council's adopted policies, resolutions, and directions, provided that such delegation is not sub-delegated without the specific approval of Council or as prescribed under the Local Government Act.
7. To request the General Manager to include items on the agendas for all meetings of Council and its committees respecting always any resolutions passed by Council in relation to those matters.
8. To determine who should represent Council on external organisations where Council has not determined a representative or where that representative is unavailable.
9. To sign correspondence and other documents.
10. To respond to media publicity on Council matters and to issue media releases and make statement to the media on behalf of Council in accordance with Council's media and public relations policies.
11. To refer to the General Manager any matter which is considered in need of investigation and reporting.

Personnel Matters

12. To approve leave arrangements of the General Manager.
13. To appoint a suitable person to the position of Acting General Manager in the event that the General Manager is absent or on leave.
14. To manage the performance review of the General Manager and where necessary engage suitable external advice to assist.
15. To accept the resignation of the General Manager and to appoint an acting General Manager where necessary.

Civic

16. To represent the Council, in conjunction with the General Manager, in deputations to government, inquires and other forums where it is appropriate that the Mayor should present the Council's position.
17. To preside at all meetings of the Council, Committees, Community Committees and Public Meetings convened by the Council at which the Mayor is present unless the Mayor otherwise appoints another Councillor or person to perform this function.
18. To approve and facilitate civic events.

**DELEGATION OF AUTHORITY
SECTION 377, LOCAL GOVERNMENT ACT, 1993**

MAYOR

Operational

- 19. To authorise payments for goods, services and contracts within approved budget limits and in accordance with Council’s policies including authorising payments under the Mayor and General Manager donations fund and including the use of a Council credit card. (\$2,000 limit).

SCHEDULE 2 (Limitations)

- 1. The **Mayor** shall exercise the functions herein delegated in accordance with and subject to:
 - a. The provisions and limitations expressly set out in Section 377(1) the Local Government Act 1993, as amended and any other legislation relevant to the delegations;
 - b. The limitation that execution of any documents under Council Seal must be carried out in compliance with Local Government Act 1993 and Local Government (General) Regulation 2021;
 - c. The Mayor shall exercise the functions herein delegated in accordance with and subject to all and every policy and code of the Council adopted by resolution and current at the time of the exercise of the functions herein delegated;
 - d. Subject to the oversight and ultimate authority of Council.

All previous delegations of functions the subject of this Instrument of Delegation are revoked.

END OF DELEGATION

Adopted 8 October 2024 - Extraordinary Meeting of Council - Minute 24/XXX

.....
Mayor

.....
Date

8.5 DELEGATIONS TO THE GENERAL MANAGER

Document ID: 754420

Author: Executive Assistant

Authoriser: General Manager

Theme: Our Leadership

Attachments: 1. Draft - Delegation General Manager [↓](#) 

RECOMMENDATION

That Council:

1. In accordance with Section 377 of the NSW Local Government Act, 1993 approves the Delegations for the General Manager, as contained in Attachment 1 Instrument of Delegation.
2. Notes that in accordance with Section 378 of the NSW Local Government Act, 1993 the General Manager will subdelegate delegations to staff for the purposes of those staff carrying out Council's day-to-day responsibilities.
3. Delegates its functions as Local Control Authority under Sec 375 Biosecurity Act 2015, to the following:
 - a. Biosecurity Officer positions
 - b. Manager Open Space and Recreation; and
 - c. All positions senior in the relevant Department, the Deputy General Manager Infrastructure and General Manager.

PURPOSE

The purpose of this report is to review the delegations following the election of a new Council.

SUMMARY

The Local Government Act 1993 provides Council with powers, authorities, and duties. It is the primary source of Council's responsibilities although other legislation, such as the Environmental Planning and Assessment Act 1979, the Roads Act 1993, and the Biosecurity Act 2015 impose further functions for Council to administer. In all there are dozens of pieces of legislation that impose obligations on councils.

Due to the nature, scope and complexity of the functions that Council has to perform, the Local Government Act makes provision for the Council to delegate functions to the General Manager, who may subdelegate those functions on to other staff, to facilitate practical and timely implementation and the smooth workings of the Council.

This report is submitted for endorsement of delegations to the General Manager as required by Section 377 of the New South Wales Local Government Act, 1993 (LGA) and Section 375 of the Biosecurity Act 2015.

BACKGROUND

Delegations are Council's authorisation for individuals, such as the Mayor, General Manager, or bodies, such as Section 355 Committees, to act on behalf of the Council.

Council must review the delegations it applies to other parties within 12 months of a new Council being elected. This report is presented to the first meeting of the newly elected Council to allow continued operation of the organisation.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS

Policy

- The General Manager is the only staff position to which the Council can delegate powers. The delegations for the General Manager were last reviewed in January 2022.
- The General Manager can then formally subdelegate powers to other staff. The delegations for the Deputy General Managers are broad, and delegations decrease for staff with lower levels of responsibility. All staff are advised of their delegations, and they are published in Council's delegations register. Staff delegations are subject to ongoing review.
- The format of the delegation to the General Manager attached to this report and submitted for adoption is in line with leading industry practice to take the form of an exception report, rather than attempting to include in great detail lists of the various powers from all the pieces of legislation relevant to Council's operations. This helps to address the risk of an unauthorised action being taken.

Financial

- Some of the delegations related to finances include expenditure limits. This also applies to the delegations provided to staff.

Legal / Statutory

- The Local Government Act, 1993 stipulates which powers must be made by the Council and which issues can be delegated to the General Manager. Details of the relevant sections of the Act are reproduced below.
- A Council may by resolution delegate to the General Manager or any other person or body, except for another employee of the Council, any Council function other than those specified as listed in Section 377 of the Local Government Act, 1993.

Community Engagement / Communication

- Nil

Human Resources / Industrial Relations

- The General Manager is to ensure all staff with decision-making power have a clear set of delegations so they can act within approved boundaries. These can relate to financial, staff, governance, and operational decisions.

RISKS

Council should consider its role, and that of the General Manager when determining the delegations.

The relevant sections of the Local Government Act are detailed below.

Section 223 Role of governing body

(1) The role of the governing body is as follows:

- (a) to direct and control the affairs of the council in accordance with this Act,
- (b) to provide effective civic leadership to the local community,
- (c) to ensure as far as possible the financial sustainability of the council,
- (d) to ensure as far as possible that the council acts in accordance with the principles set out in Chapter 3 and the plans, programs, strategies and policies of the council,
- (e) to develop and endorse the community strategic plan, delivery program and other strategic plans, programs, strategies and policies of the council,
- (f) to determine and adopt a rating and revenue policy and operational plans that support the optimal allocation of the council's resources to implement the strategic plans (including the community strategic plan) of the council and for the benefit of the local area,
- (g) to keep under review the performance of the council, including service delivery,
- (h) to make decisions necessary for the proper exercise of the council's regulatory functions,
- (i) to determine the process for appointment of the general manager by the council and to monitor the general manager's performance,
- (j) to determine the senior staff positions within the organisation structure of the council,
- (k) to consult regularly with community organisations and other key stakeholders and keep them informed of the council's decisions and activities,
- (l) to be responsible for ensuring that the council acts honestly, efficiently and appropriately.

(2) The governing body is to consult with the general manager in directing and controlling the affairs of the council.

Section 226 Role of mayor

The role of the mayor is as follows:

- (a) to be the leader of the council and a leader in the local community,
- (b) to advance community cohesion and promote civic awareness,
- (c) to be the principal member and spokesperson of the governing body, including representing the views of the council as to its local priorities,
- (d) to exercise, in cases of necessity, the policy-making functions of the governing body of the council between meetings of the council,
- (e) to preside at meetings of the council,
- (f) to ensure that meetings of the council are conducted efficiently, effectively and in accordance with this Act,

- (g) to ensure the timely development and adoption of the strategic plans, programs and policies of the council,
- (h) to promote the effective and consistent implementation of the strategic plans, programs and policies of the council,
- (i) to promote partnerships between the council and key stakeholders,
- (j) to advise, consult with and provide strategic direction to the general manager in relation to the implementation of the strategic plans and policies of the council,
- (k) in conjunction with the general manager, to ensure adequate opportunities and mechanisms for engagement between the council and the local community,
- (l) to carry out the civic and ceremonial functions of the mayoral office,
- (m) to represent the council on regional organisations and at inter-governmental forums at regional, State and Commonwealth level,
- (n) in consultation with the councillors, to lead performance appraisals of the general manager,
- (o) to exercise any other functions of the council that the council determines.

Section 232 The role of a Councillor

- (1) The role of a Councillor is as follows:
 - (a) to be an active and contributing member of the governing body,
 - (b) to make considered and well informed decisions as a member of the governing body,
 - (c) to participate in the development of the integrated planning and reporting framework,
 - (d) to represent the collective interests of residents, ratepayers and the local community,
 - (e) to facilitate communication between the local community and the governing body,
 - (f) to uphold and represent accurately the policies and decisions of the governing body,
 - (g) to make all reasonable efforts to acquire and maintain the skills necessary to perform the role of a councillor.
- (2) A councillor is accountable to the local community for the performance of the council.

Section 335 Functions of general manager

The general manager of a council has the following functions:

- (a) to conduct the day-to-day management of the council in accordance with the strategic plans, programs, strategies and policies of the council,
- (b) to implement, without undue delay, lawful decisions of the council,
- (c) to advise the mayor and the governing body on the development and implementation of the strategic plans, programs, strategies and policies of the council,
- (d) to advise the mayor and the governing body on the appropriate form of community consultation on the strategic plans, programs, strategies and policies of the council and other matters related to the council,
- (e) to prepare, in consultation with the mayor and the governing body, the council's community strategic plan, community engagement strategy, resourcing strategy, delivery program, operational plan and annual report,
- (f) to ensure that the mayor and other councillors are given timely information and advice and the administrative and professional support necessary to effectively discharge their functions,
- (g) to exercise any of the functions of the council that are delegated by the council to the general manager,
- (h) to appoint staff in accordance with the organisation structure determined under this Chapter and the resources approved by the council,

- (i) to direct and dismiss staff,
- (j) to implement the council's workforce management strategy,
- (k) any other functions that are conferred or imposed on the general manager by or under this or any other Act.

Section 377 General power of the council to delegate

- (1) A council may, by resolution, delegate to the general manager or any other person or body (not including another employee of the council) any of the functions of the council, other than the following:
 - (a) the appointment of a general manager,
 - (b) the making of a rate,
 - (c) a determination under section 549 as to the levying of a rate,
 - (d) the making of a charge,
 - (e) the fixing of a fee,
 - (f) the borrowing of money,
 - (g) the voting of money for expenditure on its works, services or operations,
 - (h) the compulsory acquisition, purchase, sale, exchange or surrender of any land or other property (but not including the sale of items of plant or equipment),
 - (i) the acceptance of tenders to provide services currently provided by members of staff of the council,
 - (j) the adoption of an operational plan under section 405,
 - (k) the adoption of a financial statement included in an annual financial report,
 - (l) a decision to classify or reclassify public land under Division 1 of Part 2 of Chapter 6,
 - (m) the fixing of an amount or rate for the carrying out by the council of work on private land,
 - (n) the decision to carry out work on private land for an amount that is less than the amount or rate fixed by the council for the carrying out of any such work,
 - (o) the review of a determination made by the council, and not by a delegate of the council, of an application for approval or an application that may be reviewed under section 82A of the Environmental Planning and Assessment Act 1979,
 - (p) the power of the council to authorise the use of reasonable force for the purpose of gaining entry to premises under section 194,
 - (q) a decision under section 356 to contribute money or otherwise grant financial assistance to persons,
 - (r) a decision under section 234 to grant leave of absence to the holder of a civic office,
 - (s) the making of an application, or the giving of a notice, to the Governor or Minister,
 - (t) this power of delegation,
 - (u) any function under this or any other Act that is expressly required to be exercised by resolution of the council.
- (1A) Despite subsection (1), a council may delegate its functions relating to the granting of financial assistance if:
 - (a) the financial assistance is part of a specified program, and
 - (b) the program is included in the council's draft operational plan for the year in which the financial assistance is proposed to be given, and
 - (c) the program's proposed budget for that year does not exceed 5 per cent of the council's proposed income from the ordinary rates levied for that year, and

- (d) the program applies uniformly to all persons within the council's area or to a significant proportion of all the persons within the council's area.

(2) A council may, by resolution, sub-delegate to the general manager or any other person or body (not including another employee of the council) any function delegated to the council by the Departmental Chief Executive except as provided by the instrument of delegation to the council.

Section 378 Delegations by the general manager

- (1) The general manager may delegate any of the functions of the general manager, other than this power of delegation.
- (2) The general manager may sub-delegate a function delegated to the general manager by the council to any person or body (including another employee of the council).
- (3) Subsection (2) extends to a function sub-delegated to the general manager by the council under section 377 (2).

Section 379 Delegation of regulatory functions

- (1) A regulatory function of a council under Chapter 7 must not be delegated or sub-delegated to a person or body other than:
 - (a) a committee of the council of which all the members are councillors or of which all the members are either councillors or employees of the council, or
 - (b) an employee of the council, or
 - (c) a county council.
- (2) A regulatory function of a county council under Chapter 7 must not be delegated or sub-delegated to a person or body other than:
 - (a) a committee of the county council of which all the members are members of the county council or of which all the members are either members of the county council or employees of the county council, or
 - (b) an employee of the county council, or
 - (c) a council.
- (3) However, if:
 - (a) a regulatory function is delegated to a county council, the function may be delegated to the general manager and by the general manager to an employee of the county council, or
 - (b) a regulatory function is delegated to a council; the function may be delegated to the general manager and by the general manager to an employee of the council.

Section 380 Review of delegations

Each council must review all its delegations during the first 12 months of each term of office.

Section 381 Exercise of functions conferred or imposed on council employees under other Acts

- (1) If, under any other Act, a function is conferred or imposed on an employee of a council or on the mayor or a Councillor of a council, otherwise than by delegation in accordance with this section, the function is taken to be conferred or imposed on the council.
- (2) Such a function may be delegated by the council in accordance with this Part.
- (3) A person must not, under any other Act, delegate a function to:
 - the general manager, except with the approval of the council

- an employee of the council, except with the approval of the council and the general manager.

The Biosecurity Act 2015 is one such act and this report recommends that Council delegate its functions under that act to the relevant officers involved in its administration.

Development Application Approvals

The recommended delegations, which have been in place for many years, delegate development application approvals to the General Manager (who may then subdelegate), where applicable by law. It is highlighted though that the instrument of delegation includes safeguards that outline circumstances where the delegation may not be used.

OPTIONS

1. Approve the delegations as provided in Attachment 1.
2. Approve the delegations as provided in Attachment 1 but with specified changes, considering each party's statutory role.

CONCLUSION

The attached delegations to the position of General Manager are described and detailed in the instrument. This form of delegation grants the General Manager the exercise of Council's powers, functions, duties and authorities under the Act, its Regulations and cognate legislation, subject to certain limitations and specifies compliance with the General Manager's duties.

The delegations provide for the General Manager to subdelegate to staff under Section 378 of the Local Government Act 1993, as circumstances require.

It is important to note that Council can only delegate to the General Manager (with the exception of the Biosecurity Act 2015), who is then responsible as to how delegations are provided to other staff.

With regards to the Biosecurity Act 2015, it is proposed that Council delegate its functions as Local Control Authority under that act to the following:

1. Biosecurity Officer positions
2. Manager Open Space and Recreation; and
3. All positions senior in the relevant Department, the Deputy General Manager Infrastructure and General Manager.

RECOMMENDATION

That Council:

1. In accordance with Section 377 of the NSW Local Government Act, 1993 approves the Delegations for the General Manager, as contained in Attachment 1 Instrument of Delegation.
2. Notes that in accordance with Section 378 of the NSW Local Government Act, 1993 the General Manager will subdelegate delegations to staff for the purposes of those staff carrying out Council's day-to-day responsibilities.
3. Delegates its functions as Local Control Authority under Sec 375 Biosecurity Act 2015, to the following:
 - a. Biosecurity Officer positions
 - b. Manager Open Space and Recreation; and
 - c. All positions senior in the relevant Department, the Deputy General Manager Infrastructure and General Manager.

DELEGATION OF AUTHORITY

SECTION 377, LOCAL GOVERNMENT ACT, 1993

**GENERAL MANAGER****INTERPRETATION OF DELEGATIONS**

- a. This instrument of delegation should be construed as operating in a manner which is valid and within the powers conferred on the Council under the Local Government Act 1993.
- b. The instrument recognises that certain functions are conferred on the General Manager under sec 335 of the Local Government Act 1993, including the day-to-day management of Council.
- c. References to the decisions of Council are references to decisions made by Council from time to time.
- d. References to policies of the Council are references to policies adopted by Council from time to time.
- e. These delegations are not intended to limit the General Managers ability to carry out such other functions and exercise such other powers as the Council may determine from time to time or as may be functions of the General Manager under the Local Government Act 1993.

DELEGATIONS

Council hereby delegates to the position of General Manager on an ongoing basis its functions, under the Local Government Act 1993 and any other Acts and regulations.

Subject to the powers, authorities, duties and functions of Council, that are:

1. Reserved to the Council by Section 377 and Section 379 of the Local Government Act 1993.
2. Which are required by any legislation or instrument to be performed by Council.
3. Delegated to the Mayor by Council from time to time.
4. Reserved by Council as set out in Schedule 1 below (Council reserved functions).

Which powers, authorities, duties and functions are to be exercised in a manner consistent with Council's policies and decisions as applicable from time to time:

**DELEGATION OF AUTHORITY
SECTION 378, LOCAL GOVERNMENT ACT, 1993****GENERAL MANAGER**

SCHEDULE 1**Council Reserved Functions (Not to be exercised by the GM)****Policy and Procedure**

5. The power to make or amend Council policy.
6. Approving the use of affixing of the Common Seal of the Council.
7. The release for public exhibition and comment of any plan or policy, which is required by legislation to be exhibited.
8. The exercise of functions in a manner not consistent with the policies and decisions of Council or reasonable and lawful direction of the Mayor.

Finance and Resource Allocation

9. Approving Councils Operational Plan and Budget.
10. The approval of concept designs for major capital works (projects exceeding \$2m).
11. Variation of major projects exceeding an amount of 10% above the approved budget.
12. The awarding of contracts for any tender called pursuant to Section 55 (1) of the Local Government Act 1993 where the value is greater than \$500,000.
13. Determination of applications for donations to charities, cultural and other organisations which is contrary to a resolution of Council or policy approved by Council.
14. Writing off bad debts, for amounts greater than \$5,000 (excluding GST)

Personnel Matters

15. Entering into any significant enterprise agreement except after consultation with Council.

Council Operations and Services

16. Carrying out new non-core services not already approved by Council.
17. Setting or altering the Schedule of Fees and Charges which are not within the relevant categories as determined within the Revenue Policy of Council's Operational Plan.

**DELEGATION OF AUTHORITY
SECTION 378, LOCAL GOVERNMENT ACT, 1993****GENERAL MANAGER**

Legal Proceedings

18. The giving of instructions to Council's legal representatives to commence legal proceedings in the NSW Supreme Court or Federal Courts except in relation to urgent injunction proceedings and after consultation with the Mayor.
19. The giving of instructions in legal proceedings contrary to a resolution of Council except in planning or regulatory appeals where instructions can be given to resolve an appeal.

Property, Land Use and Related Matters

20. Granting of approvals to occupy and use public land (as defined in the Local Government Act 1993), crown land or any other land managed by Council except approvals up to a max fee or rental not exceeding \$10,000 or approvals relating to the temporary use of land and or facilities.
21. Adoption of a plan of management for community land.
22. Granting of owner's consent to the lodgement of an application to carry out development on significant property or land (including roads) owned or managed by Council unless the application accords with Councils adopted strategies.

Cultural

23. The development or formation of relationships with other cities, including sister city agreements.
24. The approval of civic and ceremonial events.
25. The granting of civic honours.

Planning and Development

26. Determination of applications for development consent under the Environmental Planning and Assessment Act 1979 involving the erection of a building of more than two storeys.
27. Determination of applications for development consent under the Environmental Planning and Assessment Act 1979 where a request is made by the Mayor for the development application to be the subject of a report to Council.
28. Determination of applications for approval to demolish a heritage item but this does not prevent determination of application for works modifying a heritage item in accordance with a development consent.
29. Determination of applications for consent or approval which involve a variation under the Local Government Act 1993 of a prescribed standard or a Council policy.
30. Determination of applications for development consent where:
 - a. The delegate considers determination inappropriate because the application is likely to be of a special interest or concern to the Council; or

**DELEGATION OF AUTHORITY
SECTION 378, LOCAL GOVERNMENT ACT, 1993**

GENERAL MANAGER

- b. The application conflicts with or involves a major departure from the requirements of a DCP; or
- c. The objections lodged against the proposal are significant in number or in substance; or
- d. The application has significant Part 4 EP&A Act 1979 considerations, or
- e. The proposed development is of major significance, or
- f. Council, as the owner of an adjacent or nearby site, lodges an objection to the application.

All previous delegations of functions the subject of this Instrument of Delegation are revoked.

END OF DELEGATION

Adopted 8 October 2024 - Extraordinary Meeting of Council - Minute 24/XXX

.....
General Manager

.....
Date

8.6 OPTION TO UNDERTAKE A COUNTBACK INSTEAD OF A BY-ELECTION TO FILL CASUAL VACANCIES

Document ID: 754488
Author: Executive Assistant
Authoriser: General Manager
Theme: Our Leadership
Attachments: Nil

RECOMMENDATION

Council resolves that:

1. Pursuant to Section 291A(1)(b) of the Local Government Act (the Act), Narrandera Shire Council declares that casual vacancies occurring in the office of a Councillor within eighteen (18) months after the last ordinary election of Councillors for the Council held on 14 September 2024 are to be filled by a countback of votes cast at that election for the office in accordance with Section 291A of the Act.
2. Should Council resolve 1. the General Manager is to notify the election manager of the ordinary election (NSW Electoral Commissioner) within seven (7) days of the resolution that a countback election is to be used to fill a casual vacancy.

PURPOSE

The purpose of this report is to advise Council of the option to utilise a countback of votes from the Ordinary Election to fill any casual vacancy on Council within the first 18 months of its term.

SUMMARY

Section 291A of the Local Government Act, 1993 (the Act) provides for a countback to be held instead of a by-election in certain circumstances. The countback provision is available for a period of eighteen (18) months following the date of an ordinary election. However, to allow a countback, Council must resolve at its first meeting that any casual vacancy within the eighteen-month period is to be filled by a countback of votes cast at the last election for that office.

BACKGROUND

By-elections are conducted in the same manner as an ordinary election. This process is lengthy, up to three (3) months and expensive.

To mitigate the impacts of a by-election, the Act has the following provisions regarding the first and last eighteen (18) months of a Council term which spans four (4) years.

- Section 291A allows that, in certain circumstances for the first eighteen (18) months following an Ordinary election, a countback of votes may be used to fill a casual vacancy on Council.
- Section 294 deals with a casual vacancy in the last eighteen (18) months of a term and provides that, upon application of the Council, the Minister may order that the vacancy not be filled.

This Council elected in September 2024 will have a term of 48 months, concluding with the Ordinary election in September 2028. In a normal term of four (4) years, there is a twelve (12) month window in the middle of the term where a casual vacancy must be filled with a by-election.

Section 291A of the Act prescribes that a countback will be conducted in accordance with the Local Government (General) Regulation 2021 (the Regulations).

Within the Regulations Section 393C prescribes that the countback will be carried out in accordance with Schedule 9A of the Regulations.

The following is a brief summation of the operation of a countback under Schedule 9A.

- Council resolves to utilise the countback system to fill a casual vacancy at the first meeting of the new council following the September elections.
- The General Manager advises the Electoral Commissioner of a casual vacancy, and the Commissioner appoints a Returning Officer.
- The countback date is set at a date not more than 49 days after the date of the casual vacancy occurring.
- The Returning Officer publishes a notice of the countback and gives notice to each person the Returning Officer considers to be entitled to make application to participate in the countback.
- At the close of applications, the Returning Officer will determine that those making application are “eligible candidates” and publishes a list of those candidates.
- The countback is conducted as a recount of the votes on the ballot papers used in the counting of votes at the original election.
- For the purposes of the recount, preferences for the vacating councillor, previously elected councillors and non-participating candidates are distributed to eligible candidates participating in the countback.
- Should the countback not result in the election of an eligible candidate, the Returning Officer will declare that the countback has failed and a by-election will be conducted.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS

Policy

- N/A

Financial

- Utilisation of Section 291A of the Act allows a casual vacancy on Council to be filled by a countback rather than a by-election. The cost of a countback is significantly less than a by-election. The cost of the 2024 election is estimated to be at least \$73,500.

Legal / Statutory

- Section 291A of the Act provides the option to fill a casual vacancy by countback in the first eighteen (18) months of a Council term.

Community Engagement / Communication

- The Returning Officer is required by the Regulations to provide public notices in relation to the conduct of a countback.

Human Resources / Industrial Relations

- A countback will require fewer staff resources than a by-election.

RISKS

It is not certain that a countback will result in the election of an eligible candidate. A by-election would be required to fill the casual vacancy should the countback fail.

OPTIONS

1. Council resolves that a casual vacancy in the first eighteen (18) months of its term be filled utilising the countback provisions of Section 291A of the Act.
2. Council resolves not to implement the provisions of Section 291A of the Act requiring any casual vacancy prior to the last eighteen months of its term to be filled with a by-election.

CONCLUSION

Council resolves that a casual vacancy in the first eighteen (18) months of its term be filled utilising the countback provisions of Section 291A of the Act.

RECOMMENDATION

Council resolves that:

1. Pursuant to Section 291A(1)(b) of the Local Government Act (the Act), Narrandera Shire Council declares that casual vacancies occurring in the office of a Councillor within eighteen (18) months after the last ordinary election of Councillors for the Council held on 14 September 2024 are to be filled by a countback of votes cast at that election for the office in accordance with Section 291A of the Act.
2. Should Council resolve 1. the General Manager is to notify the election manager of the ordinary election (NSW Electoral Commissioner) within seven (7) days of the resolution that a countback election is to be used to fill a casual vacancy.

8.7 ORGANISATIONAL STRUCTURE

Document ID: 754481
Author: Executive Assistant
Authoriser: General Manager
Theme: Our Leadership
Attachments: Nil

RECOMMENDATION

That Council:

1. Notes that the 2024-25 Operational Plan contains \$9,317,923 for employee benefits and on-costs.
2. Notes the organisation structure included in this report and adopted by the General Manager.

PURPOSE

The purpose of this report is to allow Council to be consulted on the organisation structure as required by the provisions of the Local Government Act 1993.

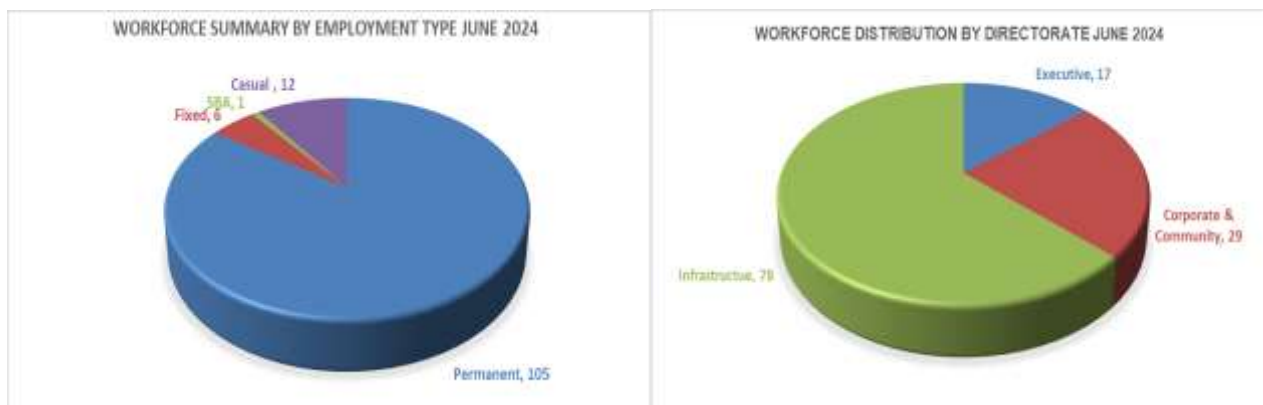
SUMMARY

Chapter 11 of the Local Government Act 1993 deals with the establishment of the Council organisation and requires the General Manager to consult with the Council prior to determining an organisation structure. It then requires the Council to allocate the resources to be applied to employment of staff.

This report recommends that Council notes the intention of the General Manager to continue to maintain the existing structure, thereby providing stability to the current compliment of staff.

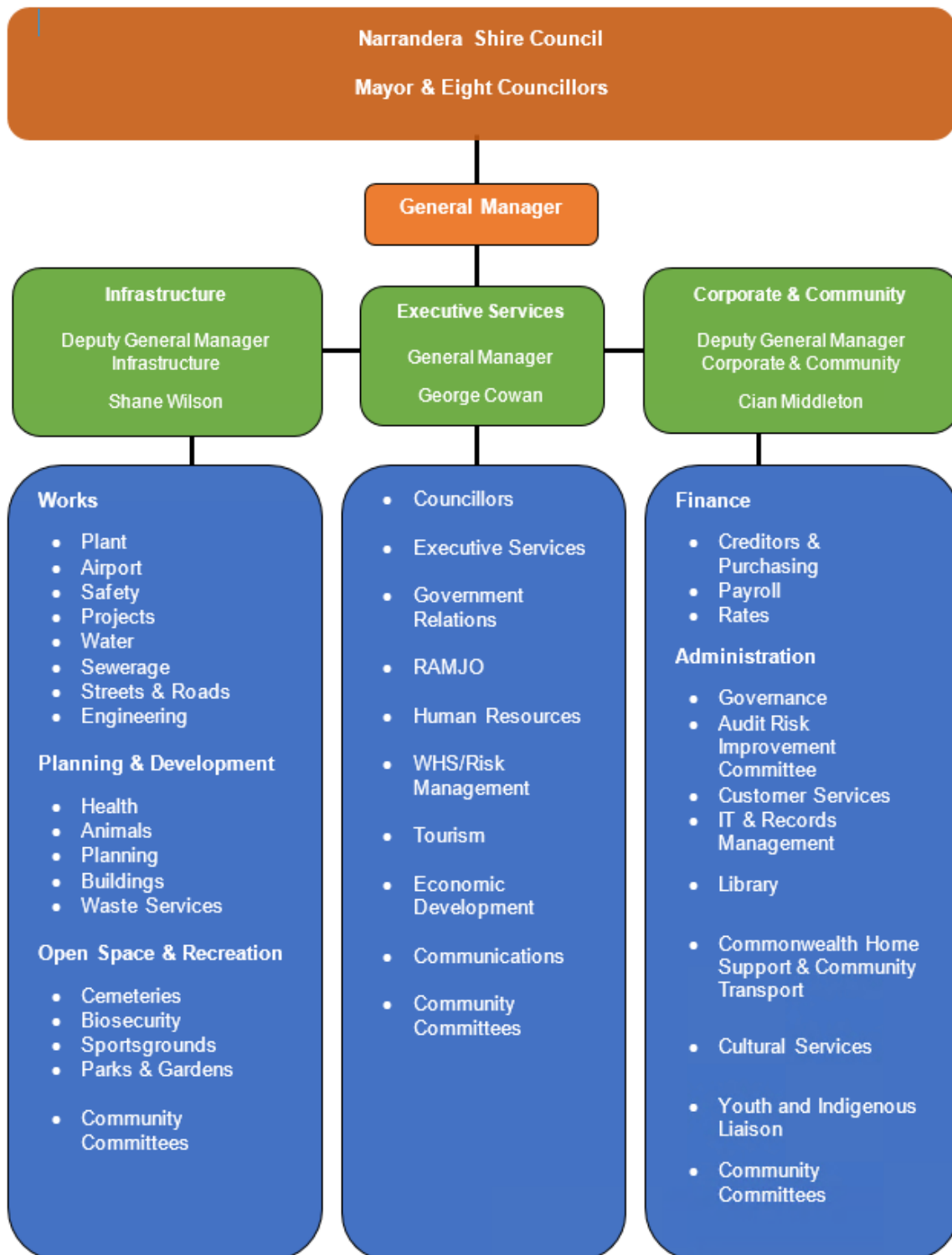
BACKGROUND

This current structure has been in place since 2015 and is serving the Council well. Staffing details are shown in the following diagrams.



Employment Types: Fixed Term, School Based Apprentices (SBA), Casual, Permanent

Narrandera Shire Council is presently structured as follows:



RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS**Policy**

- Council's primary strategic documents include the Community Strategic Plan (CSP), Delivery Program and Annual Operational Plans.
- The CSP and Delivery Plans are now subject to review and will form an important part of the agenda for the new Council moving forward. The existing structure is designed to deliver the objectives of the current plans and can be reviewed following the adoption of fresh plans effective in July 2025.

Financial

- The Annual Operational Plan is currently designed to facilitate the work of the organisation for 2024-25 and is based on the current organisation structure.

Legal / Statutory

- Outlined above.

Community Engagement / Communication

- The community has been engaged in consultation for the review of the previous Community Strategic Plans. Consultants have been engaged to facilitate the next review and those results will be coming back to Council over the next few months.

Human Resources / Industrial Relations

- Endorsement of the current organisation structure will add stability to the staff structure and is critical to the ongoing performance of the organisation.

RISKS

The most important issue for the continued high performance of the organisation is retaining talented staff in key positions. There is always a level of volatility around professional staff in the industry and the adopted program of works for the next period is very challenging.

OPTIONS

1. Note the consultation on the organisation structure as it presently exists, which is the recommendation.

CONCLUSION

Chapter 11 of the Local Government Act 1993 deals with the establishment of the Council organisation and requires that the General Manager consults with Council to determine an organisation structure.

This report recommends that Council note the intention of the General Manager to retain the existing structure, thereby providing stability to the current complement of staff.

RECOMMENDATION

That Council:

1. Notes that the 2024-25 Operational Plan contains \$9,317,923 for employee benefits and on-costs.
2. Notes the organisation structure included in this report and adopted by the General Manager.

8.8 POLICY REVIEW - POL015 COUNCILLOR EXPENSES & FACILITIES

Document ID: 754489

Author: Executive Assistant

Authoriser: General Manager

Theme: Our Leadership

Attachments: 1. **UNDER REVIEW POL015 Councillor Expenses Facilities Policy** [↓](#) 

RECOMMENDATION

That Council:

1. Adopts POL015 Councillor Expenses and Facilities Policy as presented.

PURPOSE

The purpose of this report is to adopt the Councillor Expenses and Facilities Policy in accordance with Sec 252 Local Government Act 1993.

SUMMARY

POL015 Councillor Expenses and Facilities Policy (attached) is scheduled for review in September 2025 (within 12 months of 2024 Council election) or the commencement of the new Council.

Minor updates and/or inclusion of new content are highlighted in **bold red** text and any content to be removed is in **bold strikethrough**.

The revised policy can be adopted as is, however if substantial changes are required then it must be placed on public exhibition to give the community an opportunity to provide feedback.

The next review date is set for October 2028.

BACKGROUND

Section 252 *Local Government Act 1993* requires a Councillor Expenses and Facilities policy to be adopted within 12 months of the commencement of a new council.

The current policy satisfies the Office of Local Government (OLG) better practice Councillor Expenses & Facilities Policy template, is consistent with the provisions of the *Local Government Act 1993* and can be re-adopted as it is.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS**Policy**

- POL015 Councillor Expenses and Facilities Policy.

Financial

- The policy provides amounts for Councillor expenses in Council's annual budget.

Legal / Statutory

- Compliance with *Local Government Act 1993*, *Local Government (General) Regulation 2021* and Guidelines for the payment of expenses and provision of facilities for mayors and councillors in NSW.

Community Engagement / Communication

- Unless the policy is substantially amended, it does not require further advertising.

Human Resources / Industrial Relations

- Sets out funding for the mandated education and training of Councillors.

RISKS

The policy ensures that Councillor expenses and facility provision is clearly defined and transparent to the community. Absence of the policy could lead to inconsistent payments and non-compliance with the Act and Regulation.

OPTIONS

1. Adopt the draft POL015 Councillor Expenses and Facilities Policy as presented.
2. Adopt the draft POL015 Councillor Expenses and Facilities Policy with extensive amendments, and Councillors are welcome to suggest amendments.
3. Refer the draft policy back to staff for further revision.

CONCLUSION

Adopt POL015 Councillor Expenses and Facilities Policy as presented.

RECOMMENDATION

That Council:

1. Adopts POL015 Councillor Expenses and Facilities Policy as presented.



Councillor Expenses and Facilities Policy 202^Y POL015



NARRANDERA SHIRE COUNCIL

Chambers: 141 East Street Narrandera NSW 2700
Email: council@narrandera.nsw.gov.au

Phone: 02 6959 5510
Fax: 02 6959 1884



Policy No: POL015
Policy Title: Councillor Expenses and Facilities Policy
Section Responsible: Corporate Services
Minute No/Ref: 24/RES#
Doc ID: 406293

1. INTENT

The purpose of this policy is to clearly state the facilities and support that are available to Councillors to assist them in fulfilling their civic duties.

2. SCOPE

This policy applies to the Mayor and all Councillors.

3. OBJECTIVE

The objectives of this policy are to:

- Enable the reasonable and appropriate reimbursement of expenses incurred by Councillors while undertaking their civic duties.
- Enable facilities of a reasonable and appropriate standard to be provided to Councillors to support them in undertaking their civic duties.
- Ensure accountability and transparency in reimbursement of expenses and provision of facilities to Councillors.
- Ensure facilities and expenses provided to Councillors meet community expectations.
- Support a diversity of representation.
- Fulfil the Council's statutory responsibilities.

4. POLICY STATEMENT

- The provision of expenses and facilities enables Councillors to fulfil their civic duties as the elected representatives of Narrandera Shire Council.
- The community is entitled to know the extent of expenses paid to Councillors, as well as the facilities provided.
- Council staff are empowered to question or refuse a request for payment from a Councillor when it does not accord with this policy.
- Expenses and facilities provided by this policy are in addition to fees paid to Councillors. The minimum and maximum fees a Council may pay each Councillor are

set by the Local Government Remuneration Tribunal as per Section 241 of the Act and reviewed annually.

5. PROVISIONS

5.1 PRINCIPLES

Council commits to the following principles:

- Proper conduct: Councillors and staff acting lawfully and honestly, exercising care and diligence in carrying out their functions.
- Reasonable expenses: providing for Councillors to be reimbursed for expenses reasonably incurred as part of their role as Councillor.
- Participation and access: enabling people from diverse backgrounds, underrepresented groups, those in carer roles and those with special needs to serve as a Councillor.
- Equity: there must be equitable access to expenses and facilities for all Councillors.
- Appropriate use of resources: providing clear direction on the appropriate use of Council resources in accordance with legal requirements and community expectations.
- Accountability and transparency: clearly stating and reporting on the expenses and facilities provided to Councillors.

5.2 PRIVATE OR POLITICAL BENEFIT

- Councillors must not obtain private or political benefit from any expense or facility provided under this policy.
- Private use of Council equipment and facilities by Councillors may occur from time to time, for example: telephoning home to advise that a Council meeting will run later than expected.
- Such incidental private use does not require a compensatory payment back to Council.
- Councillors should avoid obtaining any greater private benefit from Council than an incidental benefit. Where there are unavoidable circumstances and more substantial private use of Council facilities does occur, Councillors must reimburse the Council.
- Campaigns for re-election are considered to be a political benefit. The following are examples of what is considered to be a political interest during a re-election campaign:
 - production of election material.
 - use of Council resources and equipment for campaigning.
 - use of official Council letterhead, publications, websites, or services for political benefit.
 - fundraising activities of political parties or individuals, including political fundraising events.

5.3 RELATIONSHIP BETWEEN ANNUAL FEES AND EXPENSES

It is noted that Councillor annual fees do not fall within the scope of this policy.

Council has resolved that:

- Having regard to the Local Government Remuneration Tribunal's determination of a fee range for Councillors and the Mayor, Council shall always pay the maximum fees as determined by the Tribunal for the category into which Council has been classified.
- Councillors are to be paid monthly in arrears in accordance with the provisions of the Act.

5.4 EXPENSES

5.4.1 General expenses

1. All expenses provided under this policy will be for a purpose specific to the functions of holding civic office. Allowances for general expenses are not permitted under this policy.
2. Expenses not explicitly addressed in this policy will not be paid or reimbursed.
3. **Council will provide each Councillor with a Council Debit Card when attending conferences for the use of such expenses incurred in an unusual situation.**

5.4.2 General travel arrangements and expenses

1. All travel by Councillors should be undertaken using the most direct route and the most practicable and economical mode of transport.
2. Each Councillor may incur expenses to a total of \$3,000 per year, and the Mayor to a total of \$6,000 per year, for travel expenses while undertaking official business or professional development or attending approved conferences and seminars within NSW. This includes expenses:
 - o for public transport fares
 - o for the use of a private vehicle or hire car
 - o for parking costs for Council and other meetings
 - o for tolls
 - o by Cab charge card or equivalent
 - o for documented ride-share programs, such as Uber, where tax invoices can be issued.

3. Allowances for the use of a private vehicle will be reimbursed by kilometre at the rate contained in the Local Government (State) Award.

Should a Councillor decide to use a private vehicle when a Council provided vehicle is available, reimbursement will be on the basis of fuel costs only on presentation of receipts.

Reimbursement for use of a Councillor's private vehicle **to attend regular meetings** is available if the distance travelled for each individual trip is greater than ten kilometres for each individual trip.

4. Councillors seeking to be reimbursed for use of a private vehicle must keep a logbook recording the date, distance and purpose of travel being claimed. Copies of the relevant logbook contents must be provided with the claim.
5. Where a Councillor incurs sustenance expenses that arise from attending to business which has been approved in accordance with this policy but does not involve an overnight stay and/or absence from the Shire, reimbursement of actual costs incurred up to the daily limit will be paid provided that there is adequate substantiation of the expenditure.

5.4.3 Interstate, overseas and long-distance intrastate travel expenses

Council will scrutinise the value and need for Councillors to undertake overseas travel. Councils should avoid interstate, overseas and long-distance intrastate trips unless direct and tangible benefits can be established for the Council and the local community. This includes travel to sister and friendship cities.

1. Total interstate, overseas and long-distance intrastate travel expenses for all Councillors will be capped at a maximum of \$4,000 per year. This amount will be set aside in Council's annual budget.
2. Councillors seeking approval for any interstate and long-distance intrastate travel must submit a case to, and obtain the approval of, the General Manager prior to travel.
3. Councillors seeking approval for any overseas travel must submit a case to, and obtain the approval of, a full Council meeting prior to travel.
4. The case should include:
 - o objectives to be achieved in travel, including an explanation of how the travel aligns with current Council priorities and business, the community benefits which will accrue as a result, and its relevance to the exercise of the Councillor's civic duties.
 - o who is to take part in the travel.
 - o duration and itinerary of travel.
 - o a detailed budget including a statement of any amounts expected to be reimbursed by the participant/s.
5. For interstate and long-distance intrastate journeys by air of less than three hours, the class of air travel is to be economy class.
6. For interstate journeys by air of more than three hours, the class of air travel may be premium economy.
7. For international travel, the class of air travel is to be premium economy if available. Otherwise, the class of travel is to be economy.
8. Bookings for approved air travel are to be made through the General Manager's office.
9. For air travel that is reimbursed as Council business, Councillors will not accrue points from the airline's frequent flyer program. This is considered a private benefit.

5.4.4 Travel expenses not paid by Council.

Council will not pay any traffic or parking fines or administrative charges for road toll accounts.

5.4.5 Accommodation and meals

1. Council will reimburse costs for accommodation and meals while Councillors are undertaking prior approved travel or professional development outside the Riverina region.
2. The daily limits for accommodation and meal expenses within Australia are to be consistent with those set out in Appendix 1 attached.
3. The daily limits for accommodation and meal expenses outside Australia are to be determined in advance by the General Manager, being mindful of Clause 5.4.5.2.
4. Councillors will not be reimbursed for alcoholic beverages.

5.4.6 Refreshments for Council related meetings

1. Appropriate refreshments will be available for Council meetings, Council committee meetings, Councillor briefings, approved meetings and engagements, and official Council functions as approved by the General Manager.
2. As an indicative guide for the standard of refreshments to be provided at Council related meetings, the General Manager must be mindful of Part B Monetary Rates of the NSW Crown Employees (Public Service Conditions of Employment) Reviewed Award, as adjusted annually.
3. After each Council meeting Councillors may attend a fellowship dinner where Councillors will pay for their own meal and drinks.
4. Council will pay for **Council organised functions** ~~Annual Christmas Dinner, for each Councillor and their guest and the End of Council Term Dinners~~ for each Councillor and their guest.

5.4.7 Professional development

1. Council will set aside \$20,000 annually in its budget to facilitate professional development of Councillors through programs, training, education courses and membership of professional bodies.
2. In the first year of a new Council term, Council will provide a comprehensive induction program for all Councillors which considers any guidelines issued by the Office of Local Government (OLG). The cost of the induction program will be in addition to the ongoing professional development funding.
3. Annual membership of professional bodies will only be covered where the membership is relevant to the exercise of the Councillor's civic duties, the Councillor actively participates in the body and the cost of membership is likely to be fully offset by savings from attending events as a member.
4. Approval for professional development activities is subject to a prior written request to the General Manager outlining the:
 - o details of the proposed professional development
 - o relevance to Council priorities and business
 - o relevance to the exercise of the Councillor's civic duties.
5. In assessing a Councillor request for a professional development activity, the General Manager must consider the factors set out in Clause 5.4.7.4, as well as the cost of the professional development in relation to the Councillor's remaining budget.

5.4.8 Conferences and seminars

1. Council is committed to ensuring its Councillors are up to date with contemporary issues facing Council and the community, and local government in NSW.
2. Council will set aside a total amount of \$20,000 annually in its budget to facilitate Councillor attendance at conferences and seminars. This allocation is for all Councillors. The Council will ensure that access to expenses relating to conferences and seminars is distributed equitably.
3. Approval to attend a conference or seminar is subject to a written request to the Council. In assessing a Councillor request, the General Manager must consider factors including the:

- relevance of the topics and presenters to current Council priorities and business and the exercise of the Councillor's civic duties
 - cost of the conference or seminar in relation to the total remaining budget.
4. Council will meet the reasonable cost of registration fees, transportation and accommodation associated with attendance at conferences approved by the Council. Council will also meet the reasonable cost of meals when they are not included in the conference fees. Reimbursement for accommodation and meals not included in the conference fees will be subject to Clauses 5.4.4, 5.4.5.1-5.4.5.3.
 5. After returning from a conference, Councillors or a member of Council staff accompanying the Councillor/s, should provide a written report to Council on the aspects of the conference relevant to Council business and/or the local community. No written report is required for the Annual Conferences of the Local Government NSW.

5.4.9 Local Government NSW Annual Conference

~~Council will normally be represented by:~~

~~Council shall be represented at the annual conference of the Association by the Mayor, Deputy Mayor, and the Chief Executive Officer and their accompanying person. Costs for accompanying persons are to cover registration and dinner only.~~

1. When Annual Conference held in Regional City

Council will be represented at the Annual Conference of the Association by the Mayor, Deputy Mayor, and the General Manager.

2. When Annual Conference held in Sydney

Council will be represented at the Annual Conference of the Association by the Mayor, Deputy Mayor, one Councillor, the General Manager, and their accompanying person. Costs for accompanying persons are to cover registration and conference dinner only.

~~Additionally, Council shall provide a once only opportunity for a Councillor/s (to a maximum of two Councillors only for each annual Conference to attend the annual conference during the four-year term of the Council.~~

3. In addition to the delegates nominated above, a Councillor not seeking re-election at the next general election and entitled to receive a Local Government NSW Association Long Service certificate, shall be entitled to attend a conference in the final year of a term of Council to partake in the presentation of such certificate.

5.4.10 Information and communications technology (ICT) expenses

1. Council will provide Councillors a tablet with services up to a limit of ~~\$180~~ **\$300** per annum in data.
2. Tablets are for the distribution of Council and Committee business papers and for the use by Councillors at Council and Committee meetings and to access shared documents.
3. No paper-based reports are provided.
4. Tablets will also be used for a communication link and dissemination of Council information via email.

5.4.11 Special requirement and carer expenses

5. Council encourages wide participation and interest in civic office. It will seek to ensure Council premises and associated facilities are accessible, including provision for sight or hearing-impaired Councillors and those with other disabilities.
6. In addition to the provisions above, the General Manager may authorise the provision of reasonable additional facilities and expenses in order to allow a Councillor with a disability to perform their civic duties.
7. Councillors who are the principal carer of a child or other elderly, disabled and/or sick immediate family member will be entitled to reimbursement of carer's expenses up to a maximum of \$1,000 per annum for attendance at official business, plus reasonable travel from the principal place of residence.
8. Childcare expenses may be claimed for children up to and including the age of 16 years where the carer is not a relative.
9. In the event of caring for an adult person, Councillors will need to provide suitable evidence to the General Manager that reimbursement is applicable. This may take the form of advice from a medical practitioner.

5.4.12 Home office expenses

Each Councillor may be provided minor items associated with the maintenance of a home office. ~~such as items of consumable stationery, and printer ink cartridges.~~

5.5 INSURANCES AND COUNCILLOR OBLIGATIONS

Council maintains insurance policies which extend benefits to Councillors where they are engaged in or on any activity directly or indirectly connected with Council including travelling to and from such activity.

Councillors shall notify the General Manager as soon as reasonably practicable of any intention to claim or incur any legal expenses under Council's insurance policies.

1. In accordance with Section 382 of the Local Government Act, Council is insured against public liability and professional indemnity claims.

5.5.1 Personal accident

Councillors are not covered by Council's Workers Compensation scheme. This insurance provides some additional coverage for Councillors and their accompanying persons for:

- personal accident (specifically provisions for lump sum payments and weekly benefits).
- payment of indirect medical related expenses not covered by Medicare or private health.
- payment of additional expenses such as cancellation and curtailment fees.
- travel including general loss of personal and business property, overseas medical expenses, and other incidental travel related issues.

5.5.2 Councillor Liability

This insurance provides some conditional coverage for Councillors against claims they have committed a wrongful act resulting in harm or damage to a third party when acting in good faith in the course of their duties for Council.

This includes personal financial loss associated with defamation proceedings, the costs of attending formal statutory inquiries (such as the Independent Commission Against Corruption) and general claims or prosecutions of breach of duty or corruption, legal defence costs, the cost of properly investigating any allegations as well as the financial cost of any judgement or settlement made against the insured person.

1. Insurance protection is only provided if a claim arises out of or in connection with the Councillor's performance of his or her civic duties, or exercise of his or her functions as a Councillor. All insurances are subject to any limitations or conditions set out in the policies of insurance.
2. Council shall pay the insurance policy excess in respect of any claim accepted by Council's insurers, whether defended or not.

5.6 Legal assistance

1. The reasonable legal expenses of a Councillor may only be met for legal proceedings being taken against a Councillor in defending an action arising from the performance in good faith of a function under the Act or any other Act (as per section 731 of the Act) or defending an action of defamation, provided that the outcome of the legal proceedings is favourable to the Councillor.
2. In addition, legal costs may only be provided where the investigative or review body makes a finding that is not substantially unfavourable to the Councillor. This may include circumstances in which a matter does not proceed to a finding. In relation to a Councillor's conduct, a finding by an investigative or review body that an inadvertent minor technical breach had occurred may not necessarily be considered a substantially unfavourable outcome.

Council after forming the view that a Councillor has acted in good faith as required under Section 731 of the Act (determination of this view can require Council to seek legal advice) may, if requested, indemnify or reimburse the reasonable legal expenses of:

- o a Councillor defending an action arising from the performance in good faith of a function under the Local Government Act.
 - o a Councillor defending an action in defamation, provided the statements complained of were made in good faith in the course of exercising a function under the Act.
 - o a Councillor for proceedings before an appropriate investigative or review body, provided the subject of the proceedings arises from the performance in good faith of a function under the Act and the matter has proceeded past any initial assessment phase to a formal investigation or review and the investigative or review body makes a finding substantially favourable to the Councillor.
3. In the case of a code of conduct complaint made against a Councillor, legal costs will only be made available where the matter has been referred by the General Manager to a conduct reviewer and the conduct reviewer has commenced a formal investigation of the matter and makes a finding substantially favourable to the Councillor.
 4. Legal expenses incurred in relation to proceedings arising out of the performance by a Councillor of his or her functions under the Act are distinguished from expenses incurred in relation to proceedings arising merely from something that a Councillor has done during his or her term in office.

5. Reimbursement of expenses for reasonable legal expenses must have Council approval by way of a resolution at a Council meeting prior to costs being incurred. Costs reimbursed will be net of any award of costs made to a Councillor.
6. Any reimbursement of costs to a Councillor will be capped at the amount specified in the Councillors' liability insurance policy and the claim approved by the insurer. Should any costs be incurred in excess of these amounts Council may, in its absolute discretion, approve payment by resolution of Council.
7. Council will not meet the legal costs:
 - o of legal proceedings initiated by a Councillor under any circumstances.
 - o of a Councillor seeking advice in respect of possible defamation, or in seeking a non-litigious remedy for possible defamation.
 - o for legal proceedings that do not involve a Councillor performing their role as a Councillor.
8. Councillors shall inform the Mayor and General Manager of their intention to lodge a claim for expenses relating to legal expenses.

5.7 FACILITIES

General facilities are provided for all Councillors.

5.7.1 Facilities

1. Council will provide the following facilities to Councillors to assist them to effectively discharge their civic duties:
 - o personal protective equipment for use during site visits.
 - o a name badge which may be worn at official functions, indicating that the wearer holds the office of a Councillor and/or Mayor or Deputy Mayor.
2. Councillors may book meeting rooms for official business in a specified Council building at no cost. Rooms may be booked through a specified officer in the General Manager's office or other specified staff member.
3. The provision of facilities will be of a standard deemed by the General Manager as appropriate for the purpose.

5.7.2 Stationery

Council will provide the following stationery to Councillors each year:

- ~~Letterhead, to be used only for correspondence associated with civic duties.~~
- Business cards
- A4 notebook

5.7.3 Administrative support

1. Council will provide administrative support to Councillors to assist them with their civic duties only. Administrative support may be provided by staff in the General Manager's office or by a member of Council's administrative staff as arranged by the General Manager or their delegate.
2. Council staff are expected to assist Councillors with civic duties only, and not assist with matters of personal or political interest, including campaigning.

5.7.4 Additional facilities for the Mayor

1. Council will provide the Mayor with a furnished office with telephone and meeting space.
2. Council will provide a mobile telephone for **Council the Mayor** to use only to a monthly maximum expense of **\$150 80**. Any amount above this amount will require endorsement by the full Council.
3. Appropriate refreshments and beverages (including alcohol) will be provided as required to the Mayor for hospitality purposes.
4. In performing his or her civic duties, the Mayor will be assisted by staff providing administrative and secretarial support, as determined by the General Manager.
5. Staff in the Mayor's office are expected to work on official business only, and not for matters of personal or political interest, including campaigning.
6. **Council will provide the Mayor with a Council Visa Card for the use of such expenses incurred in an unusual situation.**

5.8 PROCESSES

5.8.1 Approval, payment, and reimbursement arrangements

1. Expenses should only be incurred by Councillors in accordance with the provisions of this policy.
2. Approval for incurring expenses, or for the reimbursement of such expenses, should be obtained before the expense is incurred.
3. Up to the maximum limits specified in this policy, approval for the following may be sought after the expense is incurred:
 - o local travel relating to the conduct of official business.
 - o carer costs.
4. Final approval for payments made under this policy will be granted by the General Manager or their delegate.

5.8.2 Direct payment

Council may approve and directly pay expenses. Requests for direct payment must be submitted to the General Manager's office for assessment against this policy using the prescribed form, with sufficient information and time to allow for the claim to be assessed and processed.

5.8.3 Reimbursement

All claims for reimbursement of expenses incurred must be made on the prescribed form, supported by appropriate receipts and/or tax invoices and be submitted to the General Manager's office.

5.8.4 Notification

1. If a claim is approved, Council will make payment directly or reimburse the Councillor through accounts payable.
2. If a claim is refused, Council will inform the Councillor in writing that the claim has been refused and the reason for the refusal.

5.8.5 Reimbursement to Council

1. If Council has incurred an expense on behalf of a Councillor that exceeds a maximum limit, exceeds reasonable incidental private use, or is not provided for in this policy:
 - o Council will invoice the Councillor for the expense.
 - o the Councillor will reimburse Council for that expense within 14 days of the invoice date.
2. If the Councillor cannot reimburse Council within 14 days of the invoice date, they are to submit a written explanation to the General Manager. The General Manager may elect to deduct the amount from the Councillor's allowance.

5.8.6 Timeframe for reimbursement

Unless otherwise specified in this policy, Councillors must provide all claims for reimbursement within ~~three months~~ **14 days** of an expense being incurred. Claims made after this time cannot be approved.

5.8.7 Disputes

1. If a Councillor disputes a determination under this policy, the Councillor should discuss the matter with the General Manager.
2. If the Councillor and the General Manager cannot resolve the dispute, the Councillor may submit a notice of motion to a Council meeting seeking to have the dispute resolved.

5.8.8 Return or retention of facilities.

1. All unexpended facilities or equipment supplied under this policy are to be relinquished immediately upon a Councillor or Mayor ceasing to hold office or at the cessation of their civic duties.
2. Should a Councillor desire to keep any equipment allocated by Council, then this policy enables the Councillor to make application to the General Manager to purchase any such equipment. The General Manager will determine an agreed fair market price or written down value for the item of equipment.
3. The prices for all equipment purchased by Councillors under Clause 9.2 will be recorded in Council's annual report.

5.8.9 Publication

This policy will be published on Council's website.

5.8.10 Reporting

1. Council will report on the provision of expenses and facilities to Councillors as required in the Act and Regulations.
2. Detailed reports on the provision of expenses and facilities to Councillors will be publicly tabled at a Council meeting every six months and published in full on Council's website. These reports will include expenditure summarised by individual Councillor and as a total for all Councillors.

5.8.11 Auditing

The operation of this policy, including claims made under the policy, will be included in Council's internal audit program and an audit undertaken as part of the internal audit schedule.

5.8.12 Breaches

1. Suspected breaches of this policy are to be reported to the General Manager.
2. Alleged breaches of this policy shall be dealt with by following the processes outlined for breaches of the Code of Conduct, as detailed in the Code and in the Procedures for the Administration of the Code.

6. DEFINITIONS

- **Accompanying person:** a spouse, partner or de facto or other person who has close personal relationship with or provides carer support to a Councillor.
- **Act:** the *Local Government Act 1993 NSW*.
- **Appropriate refreshments:** food and beverages, excluding alcohol, provided by Council to support Councillors undertaking official business.
- **Clause:** Unless stated otherwise, a reference to a clause of this policy.
- **Code of Conduct:** the Code of Conduct adopted by Council, or the Model Code if none is adopted.
- **Councillor:** a person elected or appointed to civic office as a member of the governing body of Council who is not suspended, including the Mayor.
- **General Manager:** the General Manager of Council and includes their delegate or authorised representative.
- **Incidental personal use:** use that is infrequent and brief and use that does not breach this policy or the Code of Conduct.
- **Long distance intrastate travel:** travel to other parts of NSW of more than three hours duration by private vehicle.
- **NSC:** Narrandera Shire Council.
- **NSW:** New South Wales.
- **Official business:** functions that the Mayor or Councillors are required or invited to attend to fulfill their legislated role and responsibilities for Council or result in a direct benefit for Council and/or for the local government area, and includes:
 - Meetings of Council and committees of the whole.
 - Meetings of committees facilitated by Council.
 - Civic receptions hosted or sponsored by Council.
 - Meetings, functions, workshops and other events to which attendance by a Councillor has been requested or approved by Council.
- **Professional development:** a seminar, conference, training course or other development opportunity relevant to the role of a Councillor or the Mayor.
- **Regulation:** the *Local Government (General) Regulation 2021 NSW*.
- **Year:** the financial year, that is the twelve months commencing on 1 July each year.

7. ROLES AND RESPONSIBILITIES

7.1 GENERAL MANAGER

- Functions and support as identified within this policy.

8. RELATED LEGISLATION

- *Local Government Act 1993*, Sections 252 and 253.
- *Local Government (General) Regulation 2021*, Clauses 217 and 403.

9. RELATED POLICIES AND DOCUMENTS

- Code of Conduct
- Code of Meeting Practice
- **POL026 Credit Card Policy**
- **POL147 Councillor Records Management Policy**
- Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors in NSW, 2009
- Local Government Circular 09-36 Guidelines for Payment of Expenses and Facilities
- Local Government Circular 05-08 legal assistance for Councillors and Council Employees

VARIATION

Council reserves the right to review, vary or revoke this policy in accordance with legislation, regulation, and award changes, where applicable. Council may also make charges to this policy and the relevant procedures from time-to-time to improve the effectiveness of its operation.

10. PREVIOUS VERSIONS

Reference to a superseded policy number and/or name is also considered a reference to the new policy number. This policy was previously named:

- CS270 Councillor Expenses & Facilities Policy
- ES70 Payment of Expenses and Provision of Facilities to Mayor and Councillors

POLICY HISTORY

Responsible Officer	Deputy General Manager Corporate & Community Services
Approved by	General Manager
Approval Date	
GM Signature <i>(Authorised staff to insert signature)</i>	
Next Review	October 2028 (or within 12 months of the Council election)

Version Number	Endorsed by ELT	Endorsed by Council	Date signed by GM
1 Adopted	-	29/04/1997	-
2 Reviewed	-	4/09/2000	-
3 Reviewed	-	16/09/2003	-
4 Reviewed	-	22/06/2004	-
5 Reviewed	-	18/01/2005	-
6 Reviewed	-	21/11/2006	-
7 Reviewed	-	19/06/2007	-
8 Reviewed	-	11/11/2008	-
9 Reviewed	-	16/02/2010	-
10 Reviewed	-	15/11/2011	-
11 Reviewed	-	20/11/2012	-
12 Reviewed	-	17/09/2013	-
13 Reviewed	-	14/10/2014	-
14 Reviewed	3/08/2015	20/10/2015	19/10/2015
15 Reviewed	26/09/2016	14/12/2016	14/12/2016
16 Reviewed	4/02/2019	21/05/2019	3/06/2019
17 Reviewed	-	5/01/2022	11/01/2022
18 Reviewed	-	08/10/2024	DD/MM/2024

NOTE: This is a controlled document. If you are reading a printed copy, please check that you have the latest version via Council's website (external) or MagiQ (internal). Printed or downloaded versions of this document are uncontrolled.

Appendix 1 – Expense Summary

All monetary amounts are exclusive of GST.

Expense or Facility	Maximum Amount	Frequency
General travel expenses	\$6,000 Mayor \$3,000 per Councillor	Per year
Interstate, overseas and long-distance intrastate travel expenses	\$4,000 total for all Councillors	Per year
Accommodation	Actual; up to daily limit: <ul style="list-style-type: none"> State capitals and Canberra \$350 450 Regional cities \$250 Country \$200 	Per night
Meals	At cost; daily limit \$100	Per Day
Professional development	\$20,000 total for all Councillors	Per year
Conferences and seminars	\$20,000 total for all Councillors	Per year
ICT expenses	\$180 300 per Councillor data \$1,800 Mayor mobile phone	Per year
Carer expenses	\$1,000 per Councillor	Per year
Home office expenses	All Councillors; minor items, for example: consumable stationery, printer cartridges	Not relevant
Furnished office	Provided to the Mayor	Not relevant
Use of a private vehicle (trip >10km when <u>no</u> Council vehicle available)	By kilometre at the rate contained in the Local Government (State) Award	Not relevant
Use of a private vehicle (trip >10km when Council vehicle available)	Fuel costs only on presentation of receipts	Not relevant

8.9 APPOINTMENT OF ONE NON-VOTING COUNCILLOR MEMBER TO THE AUDIT, RISK AND IMPROVEMENT COMMITTEE




Document ID: 756594

Author: Governance and Engagement Manager

Authoriser: Deputy General Manager Corporate and Community

Theme: Our Leadership

Attachments:

1. **Guidelines for Risk Management and Internal Audit - November 2023** [↓](#) 
2. **Adopted Terms of Reference** [↓](#) 
3. **Adopted Internal Audit Charter** [↓](#) 

RECOMMENDATION

That Council:

1. Seeks nominations from Councillors for appointment to the single non-voting Councillor member position of the Narrandera Shire Council Audit, Risk and Improvement Committee with the initial appointment being for four years (coinciding with the term of the Council); and
2. From the nominations received, asks that each Councillor provides a two-minute overview of what they understand are the functions of the Committee and how their skills and attributes align with the appointment eligibility criteria; and
3. Appoints a Councillor to the Narrandera Shire Council Audit, Risk and Improvement Committee from the nominations received.

PURPOSE

The purpose of this report is for Council to appoint one Councillor to the Narrandera Shire Council Audit, Risk and Improvement Committee (ARIC) for an initial term of four years.

The Local Government Act (section 428A) requires each Council to establish an ARIC to continuously review and provide independent advice to the General Manager and the governing body of the Council.

Published guidelines prohibit the appointment of the Mayor to the Committee.

The next meeting of the Committee is scheduled to be held on Thursday 10 October 2024.

SUMMARY

Council's ARIC has been transitioning itself over the past two years to comply with the Guidelines for Risk Management and Internal Audit for Local Government in NSW. The guidelines were released in December 2022, with compliance to be achieved by 1 July 2024. The guidelines provide for the appointment of one Councillor as a non-voting member, with the Councillor required to satisfy eligibility criteria.

Attached to this report are the guidelines, the adopted Terms of Reference, and the Internal Audit Charter.

BACKGROUND

The ARIC was initially formed in 2014 as part of Council's governance structure following the issue of guidelines by the Office Local Government in 2010.

In response to the more recent guidelines, the ARIC has been transitioning its structure and purpose with the revised Terms of Reference adopted by Council on 13 December 2023 and the Charter adopted by Council on 21 February 2023, therefore aligning the Committee with Section 428A of the Local Government Act, 1993 for keeping under review the following aspects of Council's operations:

- Compliance
- Risk management
- Fraud control
- Financial management
- Governance
- Implementation of the strategic plan, delivery program and strategies
- Service reviews
- Collection of performance measurement data by the Council, and
- Any other matters prescribed by the regulations.

Council's ARIC meets the minimum composition requirement by having three independent external members, who are John Batchelor (Chairperson) and members Gayle Murphy and Stewart Todd. Cr Lander was the Councillor member prior to the September 2024 local government election.

Having a Councillor member of the ARIC provides an important link between the Committee and Council with the member able to relay concerns back to Council or to highlight emerging issues being discussed by the Committee.

Councillor members of the ARIC must conduct themselves in a non-partisan and professional manner and with the eligibility criteria for appointment detailed below:

- An ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest).
- A good understanding of one or more of the following: risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations.
- A capacity to form independent judgements and willingness to constructively challenge/question management practices and information.
- A professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of a Councillor member of an ARIC.
- Preparedness to undertake any training on the operation of audit, risk and improvement committees recommended by the Chairperson based on their assessment of the skills, knowledge, and experience of the Councillor member.

The Committee holds four ordinary meetings and one special meeting each financial year. Meetings are generally held on a Wednesday commencing at 10am.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES**Theme**

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.2 - Support ethical, transparent and accountable corporate governance.

ISSUES AND IMPLICATIONS**Policy**

- Nil

Financial

- Nil

Legal / Statutory

- *Local Government Act 1993*
- *Local Government (General) Regulation 2021*
- Risk Management and Internal Audit for Local Government in NSW published by the Office of Local Government in November 2023

Community Engagement / Communication

- Achieved by seeking a Councillor member during the statutory meeting to be held 8 October 2024

RISKS

- There are no perceived risks.

OPTIONS

That Council:

1. Seek nominations from Councillors for appointment to the ARIC and resolves to appoint a nominee based on their alignment with the eligibility criteria; or
2. Resolves not to appoint a Council member to the ARIC.

CONCLUSION

It will be recommended that Council seek nominations from Councillors for appointment to Narrandera Shire Council's Audit, risk and Improvement Committee (ARIC) as a non-voting member.

RECOMMENDATION

That Council:

1. Seeks nominations from Councillors for appointment to the single non-voting Councillor member position of the Narrandera Shire Council Audit, Risk and Improvement Committee with the initial appointment being for four years (coinciding with the term of the Council); and
2. From the nominations received, asks that each Councillor provides a two-minute overview of what they understand are the functions of the Committee and how their skills and attributes align with the appointment eligibility criteria; and
3. Appoints a Councillor to the Narrandera Shire Council Audit, Risk and Improvement Committee from the nominations received.

RISK MANAGEMENT AND INTERNAL AUDIT for local government in NSW

Guidelines

November 2023



GUIDELINES FOR RISK MANAGEMENT AND INTERNAL AUDIT FOR LOCAL GOVERNMENT IN NSW

2022

ACCESS TO SERVICES

The Office of Local Government is located at:

Street Address: Levels 1 & 2, 5 O'Keefe Avenue, NOWRA NSW 2541

Postal Address: Locked Bag 3015, Nowra, NSW 2541

Phone: 02 4428 4100

Fax: 02 4428 4199

TTY: 02 4428 4209

Email : olg@olg.nsw.gov.au

Website: www.olg.nsw.gov.au

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Background

Background

The *Local Government Act 1993* and the *Local Government (General) Regulation 2021* and these Guidelines require each council in NSW to have an audit, risk and improvement committee, a robust risk management framework, and an effective internal audit function



Background

The *Local Government Act 1993* ('Local Government Act'), the *Local Government (General) Regulation 2021* ('Local Government Regulation') and these Guidelines require each council in NSW to have:

- an audit, risk and improvement committee that continuously reviews and provides independent advice to the council on how it is functioning and managing risk
- a robust risk management framework that accurately identifies and mitigates the risks facing the council and its operations, and
- an effective internal audit function that provides independent advice as to whether the council is functioning effectively and the council's internal controls to manage risk are working.

These three mandatory governance mechanisms are key to ensuring that councils are doing things the best way they can for their communities and are on track to delivering their community's goals and objectives.

Communities themselves will ultimately be the greatest beneficiaries.

If implemented effectively, audit, risk and improvement committees, risk management and internal audit will lead to councils:

- achieving their strategic objectives in the most efficient, effective and economical manner
- having better and more efficient levels of service delivery
- having increased accountability and transparency
- achieving better decision-making and having the confidence to make difficult decisions
- having increased financial stability
- achieving and maintaining compliance with all laws, regulations, internal policies and procedures, and
- better safeguarding their public assets.

[Guidelines for Risk Management and Internal Audit for Local Government in NSW issued under section 23A of the *Local Government Act 1993*](#)

Purpose

These guidelines have been developed to assist councils, county councils and joint organisations to comply with statutory requirements under the Local Government Act and Local Government Regulation.

They also seek to strengthen risk management and internal audit practices in NSW councils by setting a minimum standard that reflects a 'best practice' approach.

The Guidelines have been issued under section 23A of the Local Government Act which confers on the "Departmental Chief Executive" of the Office of Local Government the power to prepare, adopt or vary guidelines relating to the exercise by a council of any of its functions.

Councils are required to consider these Guidelines when implementing the requirements prescribed under the Act and the Regulation relating to audit, risk and improvement committees, risk management and internal audit.

These Guidelines replace the NSW Government's *Internal Audit Guidelines for Local Government in NSW* issued in 2010.

The three core requirements outlined in the Guidelines reflect international standards and the recommendations and opinions of internal audit practitioners, councils, councillors, audit, risk and improvement committee members, risk management practitioners, government agencies, experts and community members.

They are also informed by practices in other Australian jurisdictions and give effect to the recommendations of the:

- Independent Commission Against Corruption in its inquiries into Burwood Council (2011) and Botany Bay Council (2017)
- Local Government Acts Taskforce in its review of the *Local Government Act 1993* (2013)
- Independent Local Government Review Panel in its *Revitalising Local Government inquiry* (2013), and
- various performance audits and other reviews conducted by the NSW Auditor-General since 2010.

Based on these recommendations:

- the core requirements outlined in the Guidelines relating to the operation of a council's audit, risk and improvement committee have been modelled on the *Internal Audit and Risk Management Policy for the General Government Sector (TPP 20-08)* developed by NSW Treasury and best practice in the public and private sectors
- the core requirements relating to risk management have been modelled on the current Australian risk management standard, *AS/NZS ISO 31000:2018 Risk Management – Guidelines*, and
- the core requirements relating to a council's internal audit function have been modelled on the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* (the 'International Professional Practices Framework') and best practice in the public and private sectors.

The framework balances these professional standards and best practice approaches with the unique structure, needs and operating environments of metropolitan, regional and rural councils, county councils and joint organisations across NSW.

The release of these Guidelines follows an extensive consultation process. The Office of Local Government thanks all the individuals, councils and bodies involved in the development of these Guidelines and the risk management and internal audit regulatory framework.

Further resources

There has been a wide range of information and guidance developed in recent times by government agencies, experts, practitioners and other bodies to help organisations establish effective audit, risk and improvement committees, risk management frameworks and internal audit functions.

As a starting point, a list of further resources has been included at the end of each core requirement. These resources provide practical information and tools such as examples, templates, checklists and sample documents that councils may find useful when implementing these Guidelines.

Terminology

When a joint organisation is applying these Guidelines, it should substitute the term "council" for "joint organisation", "governing body" for "board", "chairperson" for "mayor". "voting representative" for "councillor" and "executive officer" for "general manager" and "annual report" for "annual performance statement", where appropriate.

Where a county council is applying these guidelines, it should substitute the terms "county council" for "council", "chairperson" for "mayor". and "member" for "councillor", where appropriate.

References to the "Departmental Chief Executive" in these Guidelines refers to the person exercising the functions of the Departmental Chief Executive of the Office of Local Government under the Local Government Act or the "Secretary" under the Regulation.

Statutory framework

The Local Government Act and Local Government Regulation provide the statutory foundations and prescribe the desired outcomes for councils' audit, risk and improvement committees, risk management frameworks and internal audit functions.

Relevant provisions of the Local Government Act and Local Government Regulation are detailed below.

Guiding principles of local government

The guiding principles of the Local Government Act (sections 8A, 8B and 8C) require each council to carry out its functions in a way that provides the best possible value for residents and ratepayers.

The guiding principles also specify that councils are to:

- spend money responsibly and sustainably, and align general revenue and expenses

- invest in responsible and sustainable infrastructure for the benefit of the local community
- effectively manage their finances and assets and have sound policies and processes for performance management and reporting, asset maintenance and enhancement, funding decisions, and risk management practices
- ensure the current generation funds the cost of its services and achieves intergenerational equity, and
- manage risks to the local community, area or council effectively and proactively.

Role of the governing body

To achieve these guiding principles, the Local Government Act (section 223) provides that the role and responsibilities of the governing body include:

- directing and controlling the affairs of the council in accordance with the Local Government Act
- ensuring, as far as possible, the financial sustainability of the council
- ensuring, as far as possible, that the council complies with the guiding principles of the Local Government Act
- keeping the performance of the council under review
- making the decisions necessary to ensure the council properly exercises its regulatory functions, and
- being responsible for ensuring that the council acts honestly, efficiently and appropriately.

Role of the general manager

The Local Government Act (section 335) provides that the general manager is responsible for:

- conducting the day-to-day management of the council in accordance with the strategic plans, programs, strategies and policies of the council – this includes establishing the council's organisational structure and appointing and dismissing council staff (section 332)

- implementing, without undue delay, the lawful decisions of the council
- advising the governing body on the development and implementation of the council's plans, programs, strategies and policies, and
- ensuring that the mayor and other councillors are given timely information and advice and the administrative and professional support necessary to effectively discharge their functions.

The Local Government Regulation (section 209) also requires the general manager to ensure that:

- the council complies with all legal financial obligations, including the keeping of accounting records
- effective measures are taken to secure the effective, efficient and economical management of financial operations within each division of the council's administration
- authorised and recorded procedures are established to provide effective control over the council's assets, liabilities, revenue and expenditure and secure the accuracy of the accounting records, and
- lines of authority and the responsibilities of members of the council's staff for related tasks are clearly defined.

Role of a joint organisation

The Local Government Act establishes joint organisations as a strategic regional body of councils.

The role and responsibilities of a joint organisation under the Local Government Act (section 400R) are to:

- establish regional priorities for the joint organisation area and strategies and plans to deliver these priorities
- provide regional leadership for the joint organisation area and advocate for strategic regional priorities, and
- identify and take-up opportunities for intergovernmental cooperation.

Joint organisations also deliver services and provide assistance to, or on behalf of, councils, and councils are able to delegate certain functions to their joint organisation (sections 355, 379 and 400S).

The Local Government Act (section 400Y) provides that the executive officer of a joint organisation is to:

- conduct the day-to-day management of the joint organisation in accordance with the strategic regional priorities and other plans, programs, strategies and policies of the organisation, and
- appoint, direct and dismiss staff.

Audit, risk and improvement committee

The Local Government Act (section 428A) requires each council to establish an audit, risk and improvement committee to continuously review and provide independent advice to the general manager and the governing body of the council on:

- whether the council is complying with all necessary legislation, regulations and other legal requirements
- the adequacy and effectiveness of the council's risk management framework, fraud and corruption prevention activities, financial management processes, and the council's financial position and performance
- the council's governance arrangements
- the achievement by the council of the goals set out in the council's community strategic plan, delivery program, operational plan and other strategies
- how the council delivers local services and how it could improve the performance of its functions more generally
- the collection of performance measurement data by the council, and
- any other matters prescribed by the Local Government Regulation (including internal audit).

The Local Government Act (section 428B) allows councils to establish a joint audit, risk and improvement committee with other councils including through joint or regional

organisations of councils to function as a shared committee.

The requirements for shared committees in these Guidelines are detailed in core requirement 1.

The Local Government Regulation prescribes the following requirements in relation to the membership and operations of councils' audit, risk and improvement committees:

- Councils must by resolution appoint an audit, risk and improvement committee comprising of a chairperson and at least two or more other persons as voting members of the committee (section 216C).
- Commencing 1 July 2024, the chairperson and other voting members of a council's audit, risk and improvement committee must satisfy the independence and eligibility criteria prescribed by the Regulation (sections 216D, 216E and 216F). The criteria are also set out in these Guidelines. Councils must not appoint a person to be the chairperson or a voting member of the council's audit, risk and improvement committee unless they satisfy the independence and eligibility criteria prescribed by the Regulation and specified in these Guidelines.
- Councils may appoint one councillor as a non-voting member of its audit risk and improvement committee (section 216C). Councillors appointed as a non-voting member of an audit, risk and improvement committee should satisfy the eligibility criteria for councillor members of committees specified in these Guidelines.
- For the purposes of section 428A(2)(i) of the Local Government Act, councils' audit, risk and improvement committees are to keep under review internal audit activities (section 216M).
- The Departmental Chief Executive may approve model terms of reference for councils' audit, risk and improvement committees (section 216K). The model terms of reference approved by the Departmental Chief Executive are provided in Appendix 3 of these Guidelines.

- Councils must adopt by resolution, terms of reference for their audit, risk and improvement committees and must consider the model terms of reference for committees approved by the Departmental Chief Executive contained in these Guidelines when doing so (section 216K).
- A council's audit, risk and improvement committee must exercise its functions in accordance with the terms of reference adopted by the council (section 216K).
- Councils must provide their audit, risk and improvement committee with such access to the general manager and other senior management staff of the council, and any information and resources of the council as may be necessary for the committee to exercise its functions (section 216L).

The requirements for audit, risk and improvement committees in these Guidelines are detailed in core requirement 1.

Risk management

The Local Government Regulation prescribes the following requirements in relation to risk management:

- Commencing on 1 July 2024, councils must adopt and implement a framework for identifying and managing risk (section 216S). Councils must consider these Guidelines when doing so.
- A council's audit, risk and improvement committee must keep the implementation of the council's risk management framework under review and provide advice to the council on its operation and efficacy (section 216S).

The requirements for risk management in these Guidelines are detailed in core requirement 2.

Internal audit

The Local Government Regulation prescribes the following requirements in relation to internal audit:

- Commencing 1 July 2024, councils must have an internal audit function to keep under review the council's operations and

risk management and control activities (section 216O).

- The Departmental Chief Executive may approve a model internal audit charter for councils to guide the performance of their internal audit function (section 216O). The model internal audit charter approved by the Departmental Chief Executive is provided in Appendix 5 of these Guidelines.
- Councils must adopt by resolution, an internal audit charter and must consider the model internal audit charter approved by the Departmental Chief Executive contained in these Guidelines when doing so (section 216O).
- A council's internal audit function must be undertaken in accordance with the internal audit charter adopted by the council (section 216O).
- Commencing 1 July 2024, councils' general managers must appoint a member of staff of the council (the internal audit coordinator) to direct and coordinate internal audit activities for the council (section 216P).
- Councils are not required to appoint a member of staff to direct and coordinate their internal audit activities if the council has entered into an agreement with other councils to share the internal audit function and one of the participating councils has appointed a member of staff to direct and coordinate internal audit activities on behalf of all the participating councils (section 216P).
- A council's internal audit activities are to be undertaken under the oversight and direction of the council's audit, risk and improvement committee (sections 216M, 216P and 216R).
- The member of staff appointed by the general manager to direct and coordinate internal audit activities is to report to the audit, risk and improvement committee on those activities (section 216P).
- The member of staff of a council appointed to direct and coordinate internal audit activities is not to be subject to direction in the performance of internal audit activities by anyone other than the audit, risk and improvement committee (section 216P).

- All internal audit personnel must have direct and unrestricted access to council staff, the audit, risk and improvement committee and council information and resources necessary to undertake their role and responsibilities (section 216Q).
- The general manager must consult with the chairperson of the council's audit, risk and improvement committee on any decision affecting the employment of the staff member appointed to direct and coordinate the council's internal audit activities and must consider the chairperson's views before making the decision (section 216P).
- The audit, risk and improvement committee must review the performance and efficacy of the council's internal audit activities once every 4 years and report to the governing body of the council on the outcome of its review and make recommendations (section 216R).
- The general manager must consult with the chairperson of the council's audit, risk and improvement committee on the content of the attestation statement and must consider the chairperson's views when preparing the statement (section 216T).
- If the committee chairperson disagrees with the content of the attestation statement prepared by the general manager, they may prepare their own attestation statement and submit this to the Departmental Chief Executive (section 216T).

An attestation certificate template is provided at Appendix 1 and attestation requirements are highlighted with this symbol throughout these Guidelines.



The requirements for internal audit in these Guidelines are detailed in core requirement 3.

Annual attestation

Commencing with the 2024-2025 annual report, general managers will be required under the Local Government Regulation to publish an attestation statement each year in the council's annual report indicating whether, during the preceding financial year, the council's audit, risk and improvement committee, risk management framework and internal audit function complied with the requirements prescribed in the Regulation.

The Local Government Regulation prescribes the following requirements in relation to attestation:

- Commencing with the 2024-2025 annual report, councils' annual reports must contain an attestation statement signed by the general manager on the council's compliance with the requirements prescribed in the Regulation relating to the membership and operations of its audit, risk and improvement committee, its risk management framework and internal audit function (section 216T).

The details of each member of the council's audit, risk and improvement committee should also be included in the attestation statement.

Attestation operates to ensure that the council takes independent assurance and risk management seriously and is accountable to the community for how it has implemented these requirements.

As noted above, the council's compliance status is to be self-assessed by the general manager, in consultation with the audit, risk and improvement committee.

The general manager must consider the views of the chairperson of the council's audit risk and improvement committee on the content of the attestation statement when preparing the statement.

If the chairperson disagrees with the content of the attestation statement prepared by the general manager, they may prepare their own statement and submit this to the Departmental Chief Executive.

Exemptions

There may be times where a council may not be able to comply with all requirements relating to the audit, risk and improvement committee, risk management framework or internal audit function.

The Local Government Regulation exempts councils from compliance with a requirement under the Regulation in certain circumstances.

The Regulation provides that a council is not required to comply with a requirement under the Regulation where:

- the council cannot comply with the requirement because of temporary extenuating circumstances or resourcing constraints that will significantly impact the council's budget, **and**
- the council cannot enter into an agreement with another council or joint organisation to share the performance of activities necessary to satisfy the requirement, **and**
- current or proposed alternative arrangements will achieve outcomes equivalent to the requirement under the Regulation, **and**
- the council notifies the Departmental Chief Executive of the failure to comply with the Regulation within 28 days, **and**

- the council publishes a statement in its annual report about the non-compliance that includes details of the above matters. A template for this statement is provided in Appendix 1 of these Guidelines.

Monitoring

Councils' compliance with the core requirements of the Local Government Act, Local Government Regulation and these Guidelines will be monitored by the Office of Local Government.

The NSW Auditor-General may also undertake an assurance role in monitoring councils' compliance. This may include conducting sector-wide performance audits, or compliance audits of individual councils and undertaking reviews of exemptions granted by the Departmental Chief Executive.

Core requirement 1:

Audit, risk and improvement committee

- Each council and joint organisation has an audit, risk and improvement committee that reviews the matters referred to in section 428A of the Local Government Act



Guiding principles for audit, risk and improvement committees

- ❖ The audit, risk and improvement committee is independent of the council.
- ❖ The committee is equipped with the relevant expertise and has access to the council resources and information necessary to fulfil its role and responsibilities effectively.
- ❖ Each council receives relevant and timely advice and assurance from the committee on the matters listed in section 428A of the Local Government Act.
- ❖ The work of the committee is thoroughly planned and executed, risk-based and linked to the council's strategic goals.
- ❖ The committee adds value to the council and is accountable to the governing body for its performance.
- ❖ The council is accountable to the community for complying with statutory requirements and these Guidelines relating to the committee.

Role and functions

Under section 428A of the Local Government Act, each council (including county councils and joint organisations) must have an audit, risk and improvement committee to independently review and advise on the following aspects of the council's operations:

- (a) compliance
- (b) risk management
- (c) fraud control
- (d) financial management
- (e) governance
- (f) implementation of the strategic plan, delivery program and strategies
- (g) service reviews

- (h) collection of performance measurement data by the council, and
- (i) any other matters prescribed by the regulation.

The committee must also provide information to the council for the purpose of improving the council's performance of its functions.

The Local Government Regulation (section 216M) also requires a council's audit, risk and improvement committee to review and provide advice on the council's internal audit activities.

The audit, risk and improvement committee's role also extends to any entities established by or operated by the council.

The exact nature of each audit, risk and improvement committee's role and the specific activities it reviews on behalf of a council under section 428A of the Local Government Act will vary depending on the council's needs, risks and business functions.

These activities are to be agreed between the audit, risk and improvement committee and the council during the development of the committee's terms of reference. Suggested activities are provided in **Appendix 2**.

Level of assurance

Audit, risk and improvement committees are to have an advisory and assurance role only. They are to exercise no administrative functions, delegated financial responsibilities or any management functions for a council.

It is expected that each audit, risk and improvement committee will provide independent advice to the council that is informed by the council's internal audit and risk management activities and information and advice provided by council staff, relevant external bodies and other subject matter experts.

Terms of Reference

It is important that each audit, risk and improvement committee has clear guidance on how it should serve the council, and that the

council has input into how the committee will operate given its investment.

This will ensure clarity in the relationship between the council and the audit, risk and improvement committee, and that the council can measure the committee's performance.

The Local Government Regulation (section 216K) requires a council's audit, risk and improvement committee to operate according to terms of reference.



The terms of reference are to be approved by resolution of the governing body and reviewed annually by the audit, risk and improvement committee, and once each council term (i.e. four years) by the governing body.

Councils must consider the model terms of reference approved by the Departmental Chief Executive contained in Appendix 3 of these Guidelines before adopting terms of reference.

Structure

Each council will have different audit, risk and improvement committee requirements depending on the council's size, needs, budget and the complexity of its operations.

For this reason, councils can either:

- establish an audit, risk and improvement committee for their exclusive use, or
- share their committee with another council, county council or joint organisation under section 428B of the Local Government Act.

When deciding the most appropriate way to structure a council's audit, risk and improvement committee, the council should consider the viability and capacity of a shared committee to achieve its terms of reference given the:

- size of the council in terms of both staffing levels and budget
- geographical and functional distribution of the council's operations
- complexity of the council's core business
- risk profile of the council

- expectations of stakeholders, and
- likely demands placed on the committee by other councils in the shared arrangement.

Shared committees

As noted above, under the Local Government Act (section 428B) councils can share an audit, risk and improvement committee. Councils can:

- share their committee with another council/s, county council/s and/or joint organisation/s as part of an independent shared arrangement
- utilise a committee established by their joint organisation that is shared with all member councils
- for county councils - share their committee with a member council where possible or another council
- for joint organisations - share their committee with a member council where possible or another council or joint organisation.

These options allow councils to establish and operate their audit, risk and improvement committee in a more cost-effective way.

For all shared audit, risk and improvement committees:

- the committee must operate as an individual committee for each council in any shared arrangement and exercise their functions for each council individually
- a shared committee should only be established and utilised by councils where the committee can maintain a strong understanding of each participating council's assurance needs and is able to meet these needs
- a shared committee should only be established and utilised by councils where the committee can maintain an effective working and reporting relationship with the general manager and governing body of each participating council
- councils that share their internal audit function can, but are not required to, also share their committee

- councils that share their committee can, but are not required to, also share the committee's secretariat, and
- councils should develop and sign a formal agreement with the other councils in the shared arrangement which outlines how the shared arrangement will operate and costs shared.

Where a joint organisation establishes an audit, risk and improvement committee to serve its member councils, it is at each member council's discretion whether they utilise the shared committee.

Shared councillor members

It is important to note that where an audit, risk and improvement committee is shared between councils as part of an independently established shared arrangement, or an arrangement established by a joint organisation, and the councils elect to have a councillor member on the committee, the councillor member will not be shared by councils.

To maintain the confidentiality of the business of each council in the shared arrangement considered by the shared committee:

- the governing body of each council is to appoint one councillor member to serve on the audit, risk and improvement committee for that council only
- the councillor member is to only attend committee meetings for their council, and
- the councillor member is to receive information pertaining to their council only.

For joint organisations, the elected councillor member will be a voting representative of the board.

Shared independent members

Unlike councillor members, the independent chairperson and members of shared audit, risk and improvement committees will serve all councils participating in the shared arrangement.

For audit, risk and improvement committees appointed as part of an independent shared arrangement, the councils in the shared arrangement are to mutually agree to the independent members that will be appointed to these roles, and each council is to confirm their appointment by resolution.

For audit, risk and improvement committees appointed as part of an arrangement established by a joint organisation by its member councils, the board of the joint organisation will appoint the chairperson and independent members of the committee by resolution on behalf of member councils under delegation from the member councils.

Size and composition

Each council, county council and joint organisation is required to have an audit, risk and improvement committee that is appropriate for the council's size, risk profile, operational complexity, resources, and its ability to attract suitably qualified committee members.

Each council is required to appoint an audit, risk and improvement committee that comprises of an independent chairperson and at least two independent members that meet the independence and eligibility criteria prescribed by the Local Government Regulation and set out in these Guidelines.



At a minimum, audit risk and improvement committees **must** comprise of the following:

- **an independent chairperson** who meets the independence criteria **and** the eligibility criteria for committee chairpersons set out below, **and**
- **at least two independent members** who meet the independence criteria **and** the eligibility criteria for independent committee members set out below

Councils also have the option of appointing one non-voting councillor member to their committee who meets the eligibility criteria for councillor members of committees set out

below. **The mayor cannot be appointed as a councillor member of a council's audit, risk and improvement committee.**

The size and composition requirements of a committee are the same whether the committee is established by a council for its exclusive use or as part of a shared arrangement.

Councils can establish larger committees and appoint more committee members than the minimum required should they choose to do so but may only appoint one non-voting councillor member.

The governing body is to determine the exact size of the audit, risk and improvement committee in consultation with the chairperson of the committee and general manager, taking into account the needs and risk profile of the council, and likely workload of the committee.

County councils

Whilst a county council can establish an audit, risk and improvement committee for its own exclusive use, for administrative and cost efficiency, it is recommended that county councils utilise the committee of a member council/s under an independent shared arrangement (see above).

Joint organisations

Where a joint organisation has not established an audit, risk and improvement committee for its member councils as part of a joint organisation led shared arrangement, for administrative and cost efficiency, it is recommended that, where possible, a joint organisation utilise a committee established by one of its member councils as part of an independent shared arrangement (see above).

To ensure the audit, risk and improvement committee has an understanding of the interrelationships and needs of the joint organisation and its member councils, and of wider regional priorities, ideally joint organisations should enter into an independent shared arrangement with a member council/s. If this is not possible, it is open to joint organisations to enter into a shared arrangement with another joint

organisation or a council from outside of its area.

Roles of committee members

Chairperson

The position of the chairperson of an audit, risk and improvement committee is pivotal to the committee's effectiveness and is the focal point for the committee's relationship with the council, the internal audit function and external auditor.

The chairperson acts as the interface between the audit, risk and improvement committee and the general manager and other staff, the governing body, the external auditor, and the internal audit function.

Any individual audit, risk and improvement committee member who wishes to meet with the general manager or governing body of the council to discuss any issues relating to the committee's responsibilities is to do so through the chairperson of the committee, and vice versa.

To be successful in their role, a chairperson must:

- have strong leadership qualities
- have the personal courage to raise and deal with tough issues and express opinions frankly, and to support other committee members to do the same
- be able to recommend the appointment of committee members to the governing body
- maintain effective working relationships between committee members and with the council
- keep the governing body and general manager informed and brief them on the strategic and technical aspects of internal audits and risk and control issues
- lead effective committee meetings including:
 - planning for and setting agendas for meetings, ensuring committee

- members are adequately informed of matters to be considered prior to meetings and allowing sufficient time for discussion of those matters at the meeting
- ensuring the meeting runs smoothly and that the views of members are heard
- focus the committee's deliberations on the most important issues
- seek the input of advisers, observers and other experts to maximise committee deliberations
- summarise discussion outcomes and actions, including assigning responsibility and timeframes for actions
- maintain an effective working relationship with the council's external auditor
- oversee the internal audit function and be alert to external accountability and internal audit concerns
- arrange for all committee members to maintain an up-to-date knowledge of the council and its activities, including any financial or regulatory developments, and
- know the strengths and weaknesses of the committee, and individual committee members and how this may affect the opinions of the committee.

Independent members

Independent audit, risk and improvement committee members are expected to be able to assess information provided to them about the council and to identify and assess key risks and issues.

Each member should be capable of making a valuable contribution to the committee.

To be successful in their role, a member must:

- take a professional approach to their responsibilities, including an appropriate commitment of time and effort
- know the business, culture and values of the council and take the time to understand changes that affect how the council operates and its risks
- have sufficient understanding of the council's financial reporting responsibilities

to be able to contribute to the committee's consideration of the annual financial statements

- understand the role of the committee and the expectations of the council
- act in the best interests of the council
- take a professional approach
- be a good communicator and build effective relationships with the council and other committee members, and
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry.

Councillor members

Councillor members of audit, risk and improvement committees are non-voting members of committees. This is to ensure that decision making by the committee is independent of the council.

Councillor members of committees act as an important link between the governing body and the committee.

Their role is to:

- relay to the committee any concerns the governing body may have regarding the council and issues being considered by the committee
- provide insights into local issues and the strategic priorities of the council that would add value to the committee's consideration of agenda items
- advise the governing body (as necessary) of the work of the committee and any issues arising from it, and
- assist the governing body to review the performance of the committee each council term.

Issues or information councillor members raise with or provide the audit, risk and improvement committee must relate to the matters listed in section 428A of the Local Government Act, the committee's terms of reference and issues being considered by the committee.

Councillor members of audit, risk and improvement committees are not entitled to receive information about audit, risk and improvement committee activities outside of established reporting requirements.

Councillor members of audit, risk and improvement committees must conduct themselves in a non-partisan and professional manner.

Councillor members of committees must not engage in any conduct that seeks to politicise the activities of the committee or the internal audit function or that could be seen to do so.

Where a councillor member of an audit, risk and improvement committees engages in such conduct or in any other conduct that may bring the committee and its work into disrepute, the chairperson may recommend to the council, that the councillor member be removed from membership of the committee.

Where the council does not agree to the chairperson's recommendation, it must give reasons for its decision in writing to the chairperson.

Independence criteria for committee chairpersons and independent members

The chairperson and all independent voting members of audit, risk and improvement committees must be independent to ensure they have no real or perceived bias or conflicts of interest that may interfere with their ability to act independently and can provide the council with robust, objective and unbiased advice about how the council is functioning.

Each council must ensure that the chairperson and independent members of the council's audit, risk and improvement committee meet the following independence criteria.



The chairperson and independent voting committee members **must not**:

- currently be a councillor of any NSW council
- be a non-voting representative of the board of the joint organisation
- be a candidate at the last election of the council
- be a person who has held office in the council during its previous term
- be currently employed by the council or joint organisation, or been employed during the last 12 months
- conduct audits of the council on behalf of the Audit Office of NSW
- have a close personal or business relationship with a councillor or a person who has a senior role in the council that may lead to a real or perceived conflict of interest
- currently, or within the last three years, provided any material goods or services (including consultancy, legal, internal audit and advisory services) to the council which directly affect subjects or issues considered by the audit, risk and improvement committee
- be (or have a close family member who is) a substantial shareholder, owner, officer or employee of a company that has a material business, contractual relationship, direct financial interest or material indirect financial interest with the council or a related entity which could be considered a real or perceived conflict of interest, or
- currently or have previously acted as an advocate of a material interest on behalf of the council or a related entity which could be considered a real or perceived conflict of interest.

Current staff of councils may serve as an independent member of another council's audit, risk and improvement committee but not as its chairperson. Current council staff may only serve on another council's audit, risk and improvement committee if they meet the independence and eligibility criteria for membership of the committee and their employer is not participating in a shared arrangement with the other council in relation to the audit, risk and improvement committee.

General managers will require the approval of their council under section 353 of the Local Government Act before they can serve as an independent member of another council's audit, risk and improvement committee. Other council staff will require the approval of their general manager.

Both the governing body of the council and the general manager must ensure that adequate procedures are in place to preserve the independence of the chairperson and members of the audit, risk and improvement committee.

Likewise, the chairperson and members must notify the governing body and/or general manager if a real or perceived threat to their independence arises.

Eligibility criteria for committee chairpersons and members

The persons appointed as a chairperson or a member of an audit, risk and improvement committee must possess the skills, knowledge and experience necessary to undertake their roles on the committee effectively and to ensure the committee can operate appropriately and effectively to support the council.

A poorly skilled audit, risk and improvement committee may not be able to provide the assurance needed by the council and may lead to sub-optimal outcomes that jeopardise the council's capacity to achieve its strategic objectives.

The following eligibility criteria for audit, risk and improvement committee chairpersons and members reflect the minimum standards persons must meet to be appointed as the chairperson or member of a council's audit, risk and improvement committee. Councils may require audit, risk and improvement committee chairpersons and members to satisfy more onerous eligibility criteria if they choose to do so.

Councils must ensure that the chairperson and other members of the council's audit, risk and improvement committee meet the below minimum eligibility criteria.



Eligibility criteria for committee chairpersons

In addition to meeting the independence requirements specified above, the chairperson of an audit, risk and improvement committee must satisfy the following minimum eligibility criteria to be appointed as a chairperson. Ideally, they will also be able to demonstrate the desirable criteria.

Essential criteria

Audit, risk and improvement committee chairpersons must demonstrate the following:

- leadership qualities and the ability to promote effective working relationships in complex organisations
- an ability to communicate complex and sensitive assessments in a tactful manner to the council's internal audit coordinator, senior management and the mayor and councillors
- a sound understanding of:
 - the principles of good organisational governance and capacity to understand local government accountability, including financial reporting
 - the business of the council or the environment in which it operates
 - internal audit operations, including selection and review of the council's internal audit coordinator, and
 - risk management principles
- extensive senior level experience in governance and management of complex organisations, an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- functional knowledge in areas such as risk management, performance management, human resources management, internal

and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations

- a capacity to form independent judgements and a willingness to constructively challenge/question management practices and information, and
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of the chairperson of an audit, risk and improvement committee.

Desirable criteria

Possession of a relevant professional qualification or membership (e.g., Institute of Internal Auditors (IIA), CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA)) is desirable.

Eligibility criteria for independent committee members

In addition to meeting the independence requirements specified above, independent members of an audit, risk and improvement committee must satisfy the following eligibility criteria to be appointed as an independent committee member. Ideally, they will also be able to demonstrate the desirable criteria.

Essential criteria

Independent members of audit, risk and improvement committee members must demonstrate the following:

- an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- functional knowledge in areas such as risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls,

governance (including planning, reporting and oversight), or business operations

- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of an independent member of an audit, risk and improvement committee, and
- preparedness to undertake any training on the operation of audit, risk and improvement committees recommended by the chairperson based on their assessment of the skills, knowledge and experience of the independent member.

Desirable criteria

Ideally, independent members of audit, risk and improvement committees should also meet the following criteria, but these are not essential:

- extensive senior level experience in governance and management of complex organisations, and
- possession of a relevant professional qualification or membership (e.g., Institute of Internal Auditors (IIA), CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA)).

Criminal record and financial status checks

Councils should undertake a criminal record and a financial status (bankruptcy) check of audit, risk and improvement committee chairpersons and independent members before their appointment.

Audit, risk and improvement committee chairpersons and independent members must not be undischarged bankrupts or have been charged with or convicted of a serious criminal offence.

Eligibility criteria for councillor members

To be appointed as a non-voting audit, risk and improvement committee member a councillor should demonstrate the following:

- an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- a good understanding of one or more of the following: risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of a councillor member of an audit, risk and improvement committee, and
- preparedness to undertake any training on the operation of audit, risk and improvement committees recommended by the chairperson based on their assessment of the skills, knowledge and experience of the councillor member.

The mayor cannot be appointed as a councillor member of a council's audit, risk and improvement committee.

Appointment

Audit, risk and improvement committee chairpersons and members are appointed by a resolution of the governing body of the council.

The governing body should first appoint the chairperson of the audit, risk and improvement

committee, who is to then assist in the selection and appointment of the other independent committee members.

Skills mix

When selecting individual audit, risk and improvement committee members, the council should ensure the committee has the appropriate mix of skills, knowledge and experience necessary to successfully implement its terms of reference and add value to the council.

The audit, risk and improvement committee should have:

- at least one member with financial expertise (for example, a qualified accountant or auditor or other financial professional with experience of financial and accounting matters), and
- a mix of skills and experience in:
 - business
 - financial and legal compliance
 - risk management, and
 - internal audit, and
 - any specialised business operations of the council, where the committee would benefit from having a member with skills or experience in this area (for example, IT skills or experience where IT systems have an important role in the council's business).

All audit, risk and improvement committee members should have sufficient understanding of the council's financial reporting responsibilities to be able to contribute to the committee's consideration of the annual financial statements.

Each committee member should also have sufficient time to devote to their responsibilities as an audit, risk and improvement committee member.

Where possible, the governing body should ensure that at least one other audit, risk and improvement committee member is also qualified to act as the chairperson if this is ever required.

Letter of appointment

The appointment of chairpersons and members of audit, risk and improvement committees should be formalised in an official letter of appointment signed by the mayor of the council.

The letter of appointment should set out the terms and conditions of the appointment including:

- duration of appointment
- role and responsibilities
- timing and location of meetings
- time commitment
- remuneration
- the management of conflicts of interest
- confidentiality
- performance appraisal, and
- termination of appointment.

Induction

Induction of all new audit, risk and improvement committee members is vital to ensure they 'hit the ground running' in their role.

The chairperson is to provide a thorough induction to each new member of the audit, risk and improvement committee to ensure they understand:

- the committee's role, responsibilities and terms of reference
- the business, operations, culture, risks and controls of the council, and
- the expectations of the council about their responsibilities and performance.

This will include providing new members with any background information or documentation necessary to ensure they understand the work of the audit, risk and improvement committee.

It may also be appropriate for more detailed information or presentations to be provided from various senior staff to assist the new member to understand the operations of the council and any key challenges.

New audit, risk and improvement committee members also have an obligation to ensure

that they have an appropriate understanding of the council, including its:

- operations, functions, service delivery
- key areas of risk
- internal controls, and
- financial reporting systems.

The mayor, general manager and existing chairperson (where appropriate) will induct a new chairperson.

Membership terms

Voting members

To ensure the audit, risk and improvement committee continues to offer new perspectives and remains independent, it is important that committee members are rotated periodically to maintain a fresh approach and avoid any perceptions of bias or conflicts of interest.

Councils must ensure that chairpersons and members serve the time-limited terms prescribed under section 216G of the Local Government Regulation to facilitate a rotation of knowledge and perspectives.



The initial term of membership on an audit, risk and improvement committee is to be no more than four-years.

Audit, risk and improvement committee members can be reappointed for a further term of up to four years but the total period of continuous membership on the committee cannot exceed eight years in any ten-year period (i.e. two terms). This includes any term as chairperson of the committee.

Chairpersons or members who have served an eight-year term must have a two-year break from serving on the same council's audit, risk and improvement committee before being eligible to be appointed to that council's committee again.

Care is to be taken to ensure that membership renewal dates are staggered so knowledge of the council's operations, financial reporting

structure and other important aspects are not lost to the audit, risk and improvement committee when members change.

Ideally, no more than one member should leave the committee because of rotation in any one year.

Exemptions

If a council is unable to replace the chairperson or members of its audit, risk and improvement committee when their maximum term limit has been reached, the council can seek the approval of the Departmental Chief Executive to extend their term or to reappoint the chairperson or committee member for a further term (see section 216G of the Local Government Regulation).

The council's request must:

- be in writing
- describe the efforts the council has made to appoint a different member, and
- explain why the council has been unsuccessful.

Exemptions will only be granted in exceptional circumstances.

Chairperson

To ensure that the committee maintains a fresh approach, the initial term of a chairperson of an audit, risk and improvement committee on any one audit, risk and improvement committee is to be no more than four-years.

The chairperson can be reappointed as chairperson for a further term of up to four years, but the total period served by a chairperson on the same committee cannot exceed eight years in any ten-year period (two terms).

Where the chairperson's term expires and another chairperson is appointed, it is the responsibility of the outgoing chairperson to ensure the incoming chairperson is fully briefed on the ongoing work of the audit, risk and improvement committee.

This includes advising the incoming chairperson of:

- any activity that may be relevant to the ongoing functioning of the committee, and
- any outstanding matters of high risk to the council and outstanding audit recommendations.

Councillor members

The initial term of a councillor member of an audit, risk and improvement committee is four years, coinciding with the term of the council.

The councillor member can be reappointed for another term (i.e. four-years), if re-elected at the council's next ordinary election, but the total period of continuous membership on the committee cannot exceed eight years (two council terms).

The councillor member is to be appointed by the governing body at the first meeting of the council after the ordinary election.

The councillor member's term ends at the end of the council term.

Reappointment

Prior to approving the reappointment or extension of the chairperson or an independent member's term, the governing body of the council must undertake an assessment of the chairperson's or committee member's performance.

The council may engage an external reviewer to undertake this assessment if they choose.

In undertaking the assessment, the council, or any person appointed to undertake the assessment on behalf of the council, must consult with and consider the views of the chairperson (in the case of the reappointment or extension of the term of a committee member other than the chairperson), the general manager and any councillor member of the committee.

The council, or any person appointed to undertake the assessment on behalf of the council, should also consider whether the person's skills, knowledge and experience align with the council's requirements, as set out in the committee's terms of reference and four-year strategic work plan (see below), to ensure

that they continue to add value to the committee.

The reappointment of the chairperson or a committee member is also subject to that person still meeting independence and eligibility requirements.

Resignation of committee members

Where the chairperson or a member of an audit, risk and improvement committee is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give sufficient notice to the chairperson (in the case of a committee member) and the governing body (in the case of the chairperson) prior to their resignation to enable the council to ensure a smooth transition to a new committee member or chairperson.

The notice period is to be agreed by the governing body of the council and the committee.

A member of an audit, risk and improvement committee should have the opportunity to have an exit meeting with the chairperson to discuss their reason for leaving and to provide feedback on their experience serving on the committee as well as any other issues.

Resigning chairpersons should have the opportunity to have an exit meeting with the mayor and general manager (if appropriate).

Dismissal of committee members

The governing body of a council can terminate the appointment of the chairperson and any member of the audit, risk and improvement committee by resolution before the expiry of their terms under certain circumstances.

The dismissal of the chairperson or an independent member of a committee must be reported to the Office of Local Government

within 28 days (see section 216H of the Local Government Regulation).

Dismissal criteria

The chairperson or an independent member of the audit, risk and improvement committee can be dismissed by the governing body before the expiry of their term where they have:

- breached the council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or are found to be in, a position of a conflict of interest with is unresolvable
- been declared bankrupt or are found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

Councillor members

The appointment of a councillor member to an audit, risk and improvement committee can be terminated at any time by the governing body by resolution.

Fees

The fees a council pays to the chairperson and independent members of its audit, risk and improvement committee are to be agreed between the council and the chairperson or member and reflect the time, commitment and responsibility involved in serving on the committee.

Chairpersons and members can serve on a committee on a voluntary basis if they choose to.

Superannuation

Councils are obliged under the *Superannuation Guarantee (Administration) Act 1992* to make compulsory superannuation guarantee contributions on behalf of audit, risk and improvement committee chairpersons and independent members where they are remunerated.

- the Australian Institute of Company Directors
- Chartered Accountants Australia and New Zealand
- The Actuaries Institute, and the
- Local Government Professionals Association.

Audit, risk and improvement chairpersons and members are also encouraged to serve on more than one local government committee to extend the breadth of their experience and understanding of councils and their operations and risks.

Insurance

Councils should determine whether professional indemnity and public liability insurance is required for the chairperson and independent members of their audit, risk and improvement committee.

In some cases, the chairperson or a member of an audit, risk and improvement committee may already be covered by the council's professional indemnity and public liability insurance policies or by their own insurance.

This will need to be ascertained by the council and chairperson or member on a case-by-case basis having regard to the terms of any relevant insurance policy.

Where a council determines that professional indemnity or public liability insurance may be required, the chairperson or member can obtain their own insurance, or the council can consider obtaining it on their behalf.

Conduct

Audit, risk and improvement committee members are required to observe the same ethical and behavioural standards as other council officials and must comply with the council's code of conduct.

As required under the council's code of conduct, audit, risk and improvement committee members must declare and appropriately manage any conflicts of interest they may have in matters being dealt with by the committee.

Declarations of conflicts of interest and the actions taken to manage them must be recorded in the minutes of meetings.

Councils should identify the chairperson and independent members of their audit risk and improvement committee as 'designated persons' for the purposes of the council's code of conduct and require them to complete and submit returns of interests.

Complaints of breaches of the council's code of conduct by audit, risk and improvement committee members are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*.

Under the Procedures, the general manager is responsible for managing code of conduct complaints about the chairperson and independent members of the audit, risk and improvement committee. However, as a

Learning and development

Audit, risk and improvement committee chairpersons and members are encouraged to keep informed of current developments and to maintain and develop the skills, knowledge and capabilities necessary to exercise their functions effectively.

Several professional development networks and programs are available, for example, through organisations such as:

- the Institute of Internal Auditors

safeguard, the general manager should consult with the governing body of the council before taking disciplinary action under the Procedures against the chairperson or an independent member of the council's audit, risk and improvement committee.

Meetings

The audit, risk and improvement committee must meet at least quarterly over the course of each year (see section 216J of the Local Government Regulation).

The chairperson of the audit, risk and improvement committee is to decide the frequency and timing of the committee's meetings and plan them annually in advance to ensure the availability of all members and observers.

Generally, meetings should correspond with major phases of the council's financial reporting, external audit and internal audit cycles.

For example, the audit, risk and improvement committee should meet to review the council's financial statements before they are certified by the council.

Audit, risk and improvement committee meetings should also correspond with meetings of the governing body, and allow sufficient time between audit, risk and improvement committee meetings and council meetings for the committee to action any items and prepare any reports that are to be provided to the governing body at the council meeting.

Special meetings may be held, if needed, to review the council's financial statements prior to them being submitted to the governing body of the council, or to consider the audit, risk and improvement committee's annual or four-yearly assessments (see below).

Audit, risk and improvement committee meetings can be held in person, by telephone or videoconference.

The audit, risk and improvement committee can hold additional meetings when significant

unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a committee member or the general manager.

The governing body can also resolve to request the audit, risk and improvement committee to hold an additional meeting.

Where such a request is made, the chairperson can decide whether the additional meeting is required, taking into consideration the issues that the governing body has requested the audit, risk and improvement committee to consider at the meeting.

Proxies

As audit, risk and improvement committee members are appointed on the basis of their skills, knowledge and personal qualities, proxies are not permitted to attend meetings on behalf of members who are unable to attend.

Quorum and voting

A quorum consists of a majority of audit, risk and improvement committee independent voting members.

Where the vote is tied, the chairperson has the casting vote.

Agenda

Forward agenda

The chairperson should prepare a 12-month forward meeting agenda to ensure that the audit, risk and improvement committee covers all its responsibilities at the appropriate time of the year.

For example, the forward agenda will set out, at the appropriate meeting, the various internal and external audit reports and management responses to be tabled and discussed.

It will also allocate appropriate time for a review of the progress of the internal audit function against the annual work plan, and to follow-up the implementation of corrective actions.

Meeting agenda

The chairperson of the audit, risk and improvement committee is to determine the agenda for each committee meeting.

It is recommended that the chairperson consult with other committee members, the general manager, the internal audit coordinator and external auditor prior to setting the agenda so that any urgent issues or risks that arise can be included.

The chairperson of the audit, risk and improvement committee is to decide an appropriate timeframe for receiving the final agenda in the lead-up to the meeting.

Papers

The audit, risk and improvement committee is to decide in consultation with the general manager and the internal audit coordinator an appropriate timeframe for receiving papers and other necessary information to support agenda items to be considered at each committee meeting.

Minutes

Each audit, risk and improvement committee meeting must be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

Audit, risk and improvement committee meeting minutes must:

- include a record of attendance
- cover each agenda item and document the discussion held and the outcome of discussions, including any recommendations, action points and/or allocation of tasks to relevant people
- be approved by the chairperson before circulation
- be provided to committee members, the governing body of the council, the general manager, the internal audit coordinator and external auditor
- be provided soon after the meeting date to ensure relevant persons are made aware of any significant issues discussed at the meeting that need to be dealt with. The

exact time period is to be determined by the committee and the general manager.

The minutes must be confirmed as an accurate record of the meeting at the next meeting of the audit, risk and improvement committee.

If any important details have been incorrectly recorded or omitted, they can be discussed and the minutes amended, prior to confirmation at a subsequent meeting.

After the minutes are confirmed as an accurate record of the meeting, they must be signed by the chairperson.

All audit, risk and improvement committee members and observers should receive a copy of the minutes of all meetings.

Attendance of observers

Due to the potentially sensitive nature of the issues to be discussed, audit, risk and improvement committee meetings should not be open to the public.

In addition to audit, risk and improvement committee members, the mayor, general manager and the internal audit coordinator should attend committee meetings as non-voting observers.

The NSW Auditor-General, as council's external auditor, or their representative, is to be invited to each committee meeting as an independent non-voting observer and can choose whether to attend.

The chairperson of the audit, risk and improvement committee can request the following people to attend a committee meeting or to meet with the committee to provide additional information relevant to its role:

- council's chief financial officer (or equivalent) given their knowledge of, and responsibility for, council's financial management
- the head of the council's risk management function
- senior managers
- any councillor

- any employee or contractor of the council (with the general manager's permission), and/or
- any external independent expert or external party whose advice is needed (subject to confidentiality considerations).

These persons must attend meetings where requested and must, as far as is practicable, provide the information requested.

Observers have no voting rights at audit, risk and improvement committee meetings and can be excluded from a meeting by the chairperson of the committee at any time where necessary.

Private meetings

The audit, risk and improvement committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

In addition to attending audit, risk and improvement committee meetings, the committee can meet privately at any time with the internal audit coordinator and/or external auditor without the general manager present. At least one private meeting must occur annually.

Confidentiality

It is at the discretion of the council to decide whether audit, risk and improvement committee agendas, business papers, minutes and other reports are made publicly available.

Given its potential sensitivity, it is recommended that all information pertaining to the audit, risk and improvement committee and internal audit activities is treated as confidential unless otherwise determined by the committee or a resolution of the council.

Councils and audit, risk and improvement committees should also consider the guiding principles of the *Government Information (Public Access) Act 2009* and whether it is in the public interest to proactively disclose or release

information and whether there is an overriding public interest against doing so.

Secretariat

The general manager is to appoint a council staff member to provide secretariat support to the audit, risk and improvement committee.

The main functions of this role are:

- liaising with the chairperson to prepare agendas for audit, risk and improvement committee meetings
- ensure that committee papers are of an appropriate standard and provided with enough time to allow appropriate review and consideration
- recording minutes of meetings
- providing assistance to the chairperson in arranging meetings and council site visits
- supporting the chairperson to prepare reports for the council
- arranging appropriate meeting facilities and equipment
- keeping members informed of developments affecting the council that may relate to the work of the committee
- maintaining a record of when member's terms of appointment are due for renewal or termination
- ensuring new members receive appropriate induction, and
- managing expenditures relating to the committee.

Shared arrangements

If the audit, risk and improvement committee has been established by a joint organisation, the executive officer of the joint organisation is responsible for organising secretariat support.

Councils that share their audit, risk and improvement committee can also share their secretariat function if they choose to.

Key relationships

General manager

A key role of audit, risk and improvement committees is to act as an independent source of advice and opinion to both the governing body and the general manager, and to act as a forum for the resolution of any disagreements between the council and internal audit function.

The general manager, in turn, also has a key role in supporting the work and effectiveness of the audit, risk and improvement committee.

To be effective, audit, risk and improvement committees need to maintain a positive working relationship with the general manager (and vice versa) and view them as a valuable source of advice and information about the council and its operations.

Chairpersons of audit, risk and improvement committees should meet regularly with general managers to discuss key issues and review performance.

External audit

There are strong linkages between the work of councils' audit, risk and improvement committees and their external auditor and committees should actively engage with the external auditor.

Councils' external auditor can offer valuable insights on issues such as the effectiveness of the council's risk, controls, financial reporting, and compliance frameworks.

For the external auditor, communication with the audit, risk and improvement committee can in turn facilitate an effective and efficient audit and assist the communication of matters arising from the external audit to the council.

Audit, risk and improvement committees should:

- provide input on, and discuss, planned financial and performance audit coverage
- monitor councils' responses to financial statement management letters and

performance audit reports, including the implementation of audit recommendations

- provide advice to the council on action taken on significant issues raised in relevant external auditor reports or better practice guides, and
- have a voting-members only meeting with the external auditor at least once per year so that the committee can obtain the views of the external auditor without internal audit or management advisers being present.

Internal audit

The audit, risk and improvement committee should maintain a strong, positive relationship with the council's internal audit function and view it as a significant source of information about what is going on in the council.

The internal audit function can also assist the audit, risk and improvement committee to develop the annual work plan and four-year strategic work plan that will guide the committee's and internal audit function's work (see below).

The chairperson of the audit, risk and improvement committee should routinely meet with council staff undertaking internal audit activities to discuss key issues and review performance if needed.

At least one private meeting should be held each year and any potential compromises to the internal audit activity's independence reported.

More information about this is provided in core requirement 3.

Access to council, staff, resources and information

It is essential for the audit, risk and improvement committee to be able to access the staff and information about the council it needs to review the matters listed in section 428A of the Local Government Act and the

resources necessary to undertake its other responsibilities.

Council staff

A council's audit, risk and improvement committee must have direct and unrestricted access to the general manager and senior management of the council in order to fulfil its responsibilities.



Should the audit, risk and improvement committee need to meet with another council staff member or contractor to obtain information to undertake its role, the chairperson of the committee is to obtain permission from the general manager before inviting the staff member or contractor to meet with the committee.

Subject to the general manager's permission being given, the staff member or contractor must attend.

Any disputes between the general manager and audit, risk and improvement committee regarding access to council staff are to be resolved by the governing body.

Council resources and information

A council's audit, risk and improvement committee must have direct and unrestricted access to any council resources or information it needs to fulfil its responsibilities.



In its dealings with the council, the audit, risk and improvement committee should be mindful of the environment the council is operating in and the priorities that the general manager needs to manage.

The audit, risk and improvement committee should therefore keep to a minimum the demands it places on the council and utilise as far as is practicable, existing information to obtain the necessary level of assurance in relation to its responsibilities.

The audit, risk and improvement committee may only release council information to external parties that are assisting the committee to fulfil its responsibilities with the approval of the general manager, except when it is being provided to an external investigative, audit or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

After their engagement ends with a council, a chairperson or member of an audit, risk and improvement committee must not disclose or make use of any confidential information acquired in the course of their engagement with the council without the approval of the council.

External advice

The audit, risk and improvement committee can obtain any external legal or other professional/expert advice it needs to exercise its responsibilities. For example, where a council has implemented a specialised IT system, the committee can seek the expert opinion of an IT specialist to assist its review of its implementation.

To minimise the potential costs to the council, the governing body and the chairperson of the audit, risk and improvement committee must agree at the start of each council term how costs are to be met, i.e.:

- the governing body will set a fixed budget at the start of each council term for external expenses, or
- the committee will seek the governing body's permission prior to engaging external advice.

Disputes

Members of an audit, risk and improvement committee should maintain an effective working relationship with each other and the council and try to resolve any differences they may have professionally.

In the event of a disagreement between the audit, risk and improvement committee and the general manager or other senior managers

(for example, about findings or recommendations of audits), the dispute is to be resolved by the governing body of the council.

Unresolved disputes regarding compliance with these Guidelines are to be referred to the Departmental Chief Executive in writing.

Workplans

Strategic work plan

It is essential that the work of the audit, risk and improvement committee is thoroughly planned and executed to ensure that no council activity or function is missed by the committee and that councils receive value for money from their assurance investment.

A council's audit, risk and improvement committee must develop a strategic work plan every four years to ensure that all the matters listed in section 428A of the Local Government Act are reviewed by the committee and considered by the internal audit function when developing their risk-based program of internal audits.



The plan must be developed by the audit, risk and improvement committee in consultation with the governing body, general manager, the internal audit coordinator and senior managers (where appropriate) and adopted by the governing body of the council at the start of the council term.

To maintain the independence of the audit, risk and improvement committee, the governing body of the council must be careful when adopting the strategic work plan not to direct the committee's work over the council term.

Content

The nature of the strategic work plan will be commensurate with the size and operational complexity of the council and its risk profile, and consistent with the requirements of the International Professional Practices Framework.

At a minimum, it should document:

- the goals and expected outcomes of the audit, risk and improvement committee for the council term
- key organisational issues and risks faced by the council and how the committee will review these, and
- key performance indicators to measure progress across the council term.

When developing the council's strategic work plan, the audit, risk and improvement committee should consider at a minimum:

- the council's strategic objectives
- risks facing the council
- the work of other review activities or functions (for example, external and performance audits, and reviews or audits by other government agencies)
- an assurance map of the council's assurance activities which may assist to determine where the committee's and internal audit function's work should focus, and
- stakeholder expectations.

There should also be sufficient flexibility in the strategic work plan to accommodate the need for additional audits on emerging risks from time to time.

The audit, risk and improvement committee may, in consultation with the council's governing body, vary the strategic work plan at any time to address new or emerging risks.

The governing body of the council may also, by resolution, request the committee to approve a variation to the strategic work plan. However, any decision to vary the strategic work plan will rest with the committee.

When considering whether to vary the strategic work plan, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the strategic work plan.

Review

The audit, risk and improvement committee must review the four-year strategic plan at least annually to ensure that it is dynamic,

relevant and aligns with the council's risk profile.

This will also ensure that the council remains on track with its audits and any delay in progress can be quickly addressed.

Annual work plan

A council's audit, risk and improvement committee must develop an annual work plan to guide its work over the forward year.



The annual work plan must be developed by the audit, risk and improvement committee in consultation with the governing body, general manager, the internal audit coordinator and senior managers (where appropriate).

The annual work plan must be consistent with the requirements of the International Professional Practices Framework and identify:

- the internal audits that will be carried out during the year to support the work of the audit, risk and improvement committee
- the key goals, objectives and scope of the proposed audits
- the resources needed for each audit (for example, staffing, budget, technology), and
- key performance indicators to measure annual progress against.

The annual work plan must be flexible enough to allow it to be reviewed and adjusted as necessary throughout the year in response to any changes to the council's risks or operations.

The audit, risk and improvement committee may, in consultation with the council's governing body vary the annual work plan to address new or emerging risks.

The governing body of the council may also, by resolution, request the committee to approve a variation to the annual work plan. However, any decision to vary the annual work plan will rest with the committee.

When considering whether to vary the annual work plan, the committee must consider the impact of the variation on the internal audit function's existing workload and the

completion of pre-existing priorities and activities identified under the annual work plan.

Performance measurement

The performance of each council's audit, risk and improvement committee and internal audit function must be able to be assessed to measure progress and improvement.

The audit, risk and improvement committee must establish key performance indicators for the council's four-year strategic work plan and annual work plan to allow the council to gauge the:

- performance of the committee and internal audit function and the value they are providing to the council, and
- council's performance regarding the matters listed in s428A so that the council can assess whether it is improving each council term in these areas.

These key performance indicators are to be reviewed and refreshed by the audit, risk and improvement committee for each annual work plan and four-year strategic work plan to ensure they reflect the changing needs of the council and the increased capacity of the committee and internal audit function as they mature.

The general manager, in consultation with the audit, risk and improvement committee, must ensure that a data collection or performance management system is established and maintained to collect the data needed to measure progress against these key performance indicators.

Providing advice to the governing body

Quarterly updates

Ongoing reporting by the audit, risk and improvement committee to the governing body (and general manager) is essential for accountability and will ensure that the governing body is kept informed of matters considered by the committee and any

emerging issues that may influence the strategic direction of the council or the achievement of the council's goals and objectives.

It will also ensure strong linkages between the audit, risk and improvement committee, the governing body and the general manager and lead to a better functioning assurance mechanism.

The audit, risk and improvement committee must provide an update to the governing body of the council of its activities and opinions after every committee meeting.

The audit, risk and improvement committee must also provide its quarterly update to the general manager to ensure they are kept informed of issues raised and can answer any questions the governing body may have about the committee's opinions and recommendations.

The mayor can request to meet with the chairperson of the audit, risk and improvement committee at any time to discuss any issues relating to the work of the committee during the quarter.

The chairperson of the audit, risk and improvement committee can also request to meet with the mayor at any time.

Content

The nature and content of the audit, risk and improvement committee's quarterly updates is to be determined by the governing body and the committee.

It could simply be providing a copy of the audit, risk and improvement committee's meeting minutes to the governing body if appropriate, or something more formal such as a report for noting by the governing body, or a face-to-face meeting between the committee, governing body and general manager to discuss important issues that have been identified.

Whatever the nature and form the update takes, the governing body and general manager must be advised, at a minimum, of:

- any formal resolutions of the audit, risk and improvement committee

- the committee's assessment of any audits conducted, including any breaches or deficiencies in controls that require an immediate response from the council
- progress on the implementation of corrective actions
- opportunities for longer-term improvement, and
- any key opinions or 'take-outs' from the committee's meeting.

Should the governing body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act.

Individual councillors are not entitled to request or receive information from the committee.

Annual assessment

A council's audit, risk and improvement committee must provide an annual assessment to the governing body each year.



This will ensure that the governing body of the council is fully informed of the audit, risk and improvement committee's work and its opinion on how council is performing.

The annual assessment must include:

- a summary and assessment of the work the audit, risk and improvement committee performed to discharge its responsibilities during the preceding year
- an overview and assessment of the work of the internal audit function
- progress against key performance indicators
- advice on the appropriateness of the committee's terms of reference
- an independent assessment by the committee and advice on the matters considered by the committee during the year that, in the committee's opinion, and

based on the level of risk facing the council, the governing body should be informed of, and

- other views or opinions on the council that the committee wishes to share.

Before providing their annual assessment to the governing body, the audit, risk and improvement committee must provide a copy of its annual assessment report to the general manager to allow them to develop an action plan to address any issues identified.

Both the audit, risk and improvement committee's annual assessment and the general manager's action plan can then be considered jointly by the governing body at an annual assurance meeting with the committee and the general manager.

Annual assurance meeting

It would be beneficial for the audit, risk and improvement committee, the governing body and general manager to come together annually to discuss the committee's annual assessment of the council, how the council proposes to respond to the committee's recommendations for corrective actions and other important internal audit and risk management matters.

The governing body may wish to hold an extraordinary or additional meeting each year for this purpose.

The annual assurance meeting should also discuss:

- the audit, risk and improvement committee's annual plan and review priorities for the upcoming year, for the approval by resolution of the governing body
- any resourcing issues for the internal audit or risk management functions that the committee considers the governing body should be informed of
- any updated committee terms of reference, for approval by resolution by the governing body, and
- the general manager's annual assessment of the council's risk management function (see core requirement 2).

The mayor, chairperson of the audit, risk and improvement committee and general manager can invite observers or other participants to the meeting where appropriate.

Strategic assessment

A council's audit, risk and improvement committee must provide to the governing body of the council a comprehensive independent assessment every council term (i.e. four years) of all the matters listed in section 428A of the Local Government Act that have been reviewed during the council term.



This will ensure that the governing body of the council is fully informed of the council's performance in relation to the matters specified in section 428A of the Local Government Act and what corrective actions are required to address any issues identified.

It will also provide the governing body with essential information that will assist with strategic decision-making and resource allocation during the next council term.

Before providing its strategic assessment to the governing body, the audit, risk and improvement committee must provide a copy of its report to the general manager to allow the general manager to develop an action plan to address any issues identified during the next council term.

Given the audit, risk and improvement committee's functional responsibility for the internal audit function of the council, the committee must also develop an action plan for the governing body to address any internal audit issues identified by the committee.

The audit, risk and improvement committee's strategic assessment and the action plans can be considered jointly by the governing body at a strategic assurance meeting held every four years.

Strategic assurance meeting

It would be beneficial for the audit, risk and improvement committee, the governing body and general manager to come together at the

close of the council term or commencement of the new council term to discuss the committee's strategic assessment of the council, how the council proposes to respond to the committee's recommendations during the next council term and any other important internal audit and risk management issues.

This discussion can also inform the strategic plans to be made through the integrated planning and reporting process for the next council term.

The governing body may wish to hold an extraordinary or additional meeting for this purpose.

The four-yearly assessment meeting could also discuss:

- the audit, risk and improvement committee's four-year strategic work plan for the upcoming council term for approval by resolution of the governing body
- a four-yearly review of the committee's terms of reference, for noting by the governing body and where applicable, an updated terms of reference for approval by resolution
- the governing body's four-yearly review of the committee's performance and action plan to address any issues identified, for approval by resolution of the governing body (see below).

Review of committee performance

It is important that the work of the audit, risk and improvement committee is regularly assessed, and that the committee is accountable for its performance.

This will ensure that the audit, risk and improvement committee is making a valuable contribution to the council and allow the governing body to determine whether any changes to the committee's terms of reference or membership are required.

At least once each council term (i.e. four years) the governing body of the council is to conduct



a review of the effectiveness of the audit, risk and improvement committee in conformance with the International Professional Practice Framework.

This will ensure that audit, risk and improvement committees are assessed consistently across all councils and allow councils to have confidence in the work of their committees.

To conduct the review, the governing body can:

- engage a suitably qualified external assessor or peer to undertake the review, or
- undertake the review itself and engage an external assessor or peer to conduct an independent evaluation of the findings.

The external assessor or peer should have specific skills relevant to the major risks of the council and a strong understanding of what constitutes best practice in relation to the operations and performance of audit, risk and improvement committees.

Review criteria

The review of the audit, risk and improvement committee's performance must consider:

- the appropriateness of the committee's terms of reference and whether these have been complied with
- the processes and procedures undertaken by the committee
- the collective performance of the committee – for example:
 - the quality and timeliness of assurance and advice provided by the committee to the governing body and general manager
 - the effectiveness of the committee in meeting its responsibilities
 - the relationship and quality of communication with the council and other stakeholders
- the individual performance of each member – for example, their:
 - understanding of the council, its key risks and internal controls

- ability to act objectively and independently
- preparation for committee meetings
- contribution to the work of the committee through their participation in discussion and decision-making, skills and experience
- the performance of the chairperson, including whether the chairperson has (in addition to their performance as a member of the committee):
 - demonstrated positive leadership
 - maintained effective working relationships among audit, risk and improvement committee members and with the council, council's external auditor and the internal audit function
 - ensured the governing body and general manager was well informed and briefed on the strategic and technical aspects of internal audits and risk and control issues, and
 - lead effective committee meetings.
- the way the committee, external auditor, council and internal audit function work together to manage risk and support the council and how effective this is
- whether the committee has effectively reviewed the matters identified in section 428A of the Local Government Act and contributed to an improvement in these areas, and
- whether the composition of the committee is appropriate.

When conducting the review, the governing body is to consider feedback on each member's performance by the chairperson and councillor member of the committee and the general manager.

Self-assessments by the chairperson and members of the audit, risk and improvement committee can also be used.

The governing body of council can also request the chairperson of the committee to address the council and answer any questions about the operations of the committee.

The chairperson of the audit, risk and improvement committee is to develop an action plan for the governing body of the

council to address any issues identified in the performance review and present it to the governing body at the four-yearly assessment meeting.

Annual attestation

It is important that councils are accountable to their communities for the efficacy of their internal controls and assurance mechanisms and the operations of their audit, risk and improvement committees.

Commencing with the 2024-2025 annual report, the general manager will be required under the Local Government Regulation to attest each year in the council's annual report whether the council has complied with the requirements prescribed under the Regulation in relation to its audit, risk and improvement committee.

A template for the attestation is provided in Appendix 1 of these Guidelines.

Further resources

The following resources may be useful to councils seeking more information about the establishment and operation of their audit, risk and improvement committee.

This is not an exhaustive list but provides a useful starting point for councils that seek to better understand what audit, risk and improvement committees do, and how they can be supported to add maximum value to councils.

[Audit Committees – A Guide to Good Practice \(3rd edition\)](#) – Auditing and Assurance Standards Board, Australian Institute of Company Directors and The Institute of Internal Auditors-Australia (2017)

Provides a checklist to assess the performance of audit, risk and improvement committees and members.

[Audit Committees – A Guide to Good Practice for Local Government](#) – Victorian Government, Department of Planning and Community Development (2011)

Provides detailed information on the activities audit, risk and improvement committees can perform in relation to external audit, financial management, risk management and internal audit.

[Audit Committee Guidelines – Improving Accountability and Performance – The State of Queensland \(Queensland Treasury and Trade\)](#) (2012)

Provides sample:

- letter of appointment for audit, risk and improvement committee members
- self-assessment questionnaire for committee members, external peer review checklist and management feedback questionnaire when assessing committee performance, and
- committee meeting agenda.

[Audit Committees \(RM-G2\)](#) – Australian Government, Department of Finance

Provides a list of professional peak bodies councils could contact to source audit, risk and improvement committee members.

[Chairing an Audit Committee](#) – KPMG

Provides information about the role of audit, risk and improvement committee chairpersons, particularly in relation to:

- leadership, and
- managing the work of audit, risk and improvement committee members.

[Dealing with Corruption, Fraud and the ICAC: the role of public sector Audit and Risk Committees](#) – Independent Commission Against Corruption (2020)

Provides information about the role of audit, risk and improvement committees and risk management in relation to fraud and corruption.

[Establishing a skills-based audit committee](#) – Institute of Internal Auditors-Australia (2020)

Provides an analysis matrix template to assess the skills mix of an audit, risk and improvement committee when appointing committee members.

[Guide for Audit & Risk Committees: Understanding Financial Statements](#) – NSW Treasury (2017)

Provides information on activities audit, risk and improvement committee can undertake when reviewing financial statements.

[How can audit committee members add value?](#) – PriceWaterhouseCoopers (2011)

Provides a checklist for measuring the performance of audit, risk and improvement committees.

[Internal Audit and Risk Management Policy for the General Government Sector \(TPP-20-08\) – NSW Treasury \(2020\)](#)

Provides information on the NSW public sector risk management and internal audit policy, including:

- the operation of shared audit, risk and improvement committees in the NSW public sector
- matters to consider when deciding whether to enter into a shared arrangement, and
- recommended content for shared use agreements.

[Public Sector Audit Committees: Independent assurance and advice for Accountable Authorities – Australian National Audit Office \(2015\)](#)

Provides information about the role and functions of audit, risk and improvement committees, including:

- member roles and responsibilities
- how to foster good relationships between the council and committee, and
- checklists for:
 - secretariat actions
 - planning forward meeting agendas, and
 - assessing the performance of members.

[Service Delivery Review: A how to manual for local government \(second edition\) – Australian Centre of Excellence for Local Government \(2015\)](#)

Outlines the factors councils and audit, risk and improvement committees may consider when reviewing service delivery by the council.

[Setting up the Audit Committee – PriceWaterhouseCoopers \(2011\)](#)

Provides information on:

- how a council might assess the financial literacy of an audit, risk and improvement committee member, and
- best practice for inducting new committee members.

[The Role of the Audit Committee Chair – KPMG \(2019\)](#)

Provides information on the role of audit, risk and improvement committee chairpersons, particularly in relation to:

- running committee meetings, and
- overseeing risk management.

Core requirement 2:

Risk management

- Each council and joint organisation must implement a risk management framework that is consistent with current Australian standards for risk management



Guiding principles for risk management

- ❖ Each council must accept responsibility and accountability for risk management in the council.
- ❖ Each council has a risk management framework that is appropriate for that council and is consistent with the accepted Australian risk management standard.
- ❖ Risk management is an integral part of all council management, operations, functions and activities and it is clear who is responsible for managing each risk.
- ❖ Each council supports the development of a positive risk culture.
- ❖ Councils regularly review their risk management framework and can flexibly adapt their risk management activities to suit their operations and risk profiles.
- ❖ Each council is accountable to the community for complying with its statutory obligation to adopt and maintain a risk management framework.

Standards

Each council must manage its strategic and operational risks and implement a risk management framework that is consistent with the current Australian risk management standard, and appropriate for the council's risks.



It is recognised that each council will have different risk management requirements depending on its size, needs, budget, operational complexity and risk management maturity.

Councils have the flexibility under the Australian risk management standard to adapt the size, scope and delivery of their risk management framework provided it reflects the principles, key elements and processes set out in the standard for managing risks in any sized council or organisation.

Councils can adopt additional requirements that supplement those in the standard provided they do not conflict with the standard.

The current risk management standard at the time of the release of these Guidelines is *AS ISO 31000:2018 Risk Management – Guidelines*.

Under current licensing and copyright requirements, each council will need to purchase an individually licensed copy of *AS ISO 31000:2018* from Standards Australia to obtain a full copy of the standard.

The following is a summary of the definitions, principles, key elements and process of *AS ISO 31000:2018*.

Definitions

The definition of 'risk' and 'risk management' adopted by councils as part of their risk management framework should be the same as that adopted in the current Australian risk management standard.

At the time of printing, *AS ISO 31000:2018* defines:

- risk as the "effect of uncertainty on objectives, where an effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats", and
- risk management as "coordinated activities to direct and control an organisation with regard to risk".

Principles

In summary, *AS ISO 31000:2018* requires a council's approach to risk management to be based on the following eight specific principles to ensure it is effective:

- **integrated** – risk management is integrated into all council activities and decision-making processes
- **structured and comprehensive** – risk management is a structured and comprehensive process that achieves consistent and comparable results

- **customised** – the risk management framework and process are customised to the council
- **inclusive** – risk management is inclusive of all stakeholders and enables their knowledge, views and perceptions to be considered
- **dynamic** – risk management is dynamic and able to respond to changes and events in an appropriate and timely manner
- **best available information** – risk management decisions are based on the best available information and take into account any limitations and uncertainties
- **human and cultural factors** – risk management takes into account human and cultural factors, and
- **continual improvement** – risk management is continuously and periodically evaluated and improved through learning and experience.

Key elements

To achieve these principles, *AS ISO 31000:2018* requires each council to ensure its risk management framework demonstrates the following six elements:

Leadership and commitment

AS ISO 31000:2018 requires risk management to be supported by a positive culture that promotes and communicates risk management as part of everyday activities and decision-making.

The standard states that this culture can only exist when management (i.e. the governing body, general manager and senior staff) demonstrate strong leadership and commitment to risk management.

Practical measures the governing body and/or general manager can take under *AS ISO 31000:2018* to exhibit strong leadership in risk management are set out further below.

Integration

AS ISO 31000:2018 requires that risk management is fully integrated within a council and made part of the council's

purpose, governance, leadership, strategy, objectives and operations.

Risk is to be managed in every part of the council's organisational structure and every council employee is to be responsible for managing risk.

Design

AS ISO 31000:2018 requires that the design of a council's risk management framework:

- is based on the unique needs, characteristics and risks of the council, and its external and internal context
- demonstrates the council's continual commitment to risk management
- assigns risk management roles, responsibilities and accountabilities within the council
- allocates appropriate council resources for risk management, and
- effectively documents and communicates risk management across the council.

Implementation

AS ISO 31000:2018 requires that each council implements its risk management framework by:

- developing a risk management plan that provides structure for how the council will implement its risk management policy and conducts its risk management activities, and
- ensuring the council's risk management activities are clearly understood and practiced.

The plan should identify decision makers for risk within the council and ensure risk management processes and arrangements are well understood by the council and practiced.

Evaluation

AS ISO 31000:2018 requires that each council regularly evaluates the effectiveness of its risk management framework and determines whether it remains suitable.

Improvement

AS ISO 31000:2018 requires that each council continually adapts and improves the design of its risk management framework and how it is integrated throughout the council to help the council move to a higher level of risk maturity.

Process

AS ISO 31000:2018 provides each council with a systematic process to identify, assess and prioritise risks, decide how they will be managed, and document and communicate them across the council.

The process defined in *AS ISO 31000:2018* consists of the following steps:

- defining the scope of the council's risk management activities to assist in planning the council's risk management approach
- establishing the internal and external context to ensure that the council understands the internal and external environment it operates in and how risk management will impact, and be impacted by these
- deciding the performance indicators that the council will use to measure the effectiveness of its risk management framework and identify gaps between its actual and desired performance
- defining the council's risk criteria/appetite – that is, the amount and type of risk that the governing body is willing to take, or not take, in order to achieve its strategic plan and objectives
- conducting risk assessments to determine what risks need to be managed
- deciding risk treatment options
- developing risk treatment plans that document how controls will be implemented, and
- writing risk reports that will document and communicate the risk management framework to all staff and be used by the council to regularly review the risk management framework.

County councils and joint organisations

County councils and joint organisations have a lower risk profile than larger and more operationally complex general-purpose councils.

However, they are still responsible for the expenditure of public money, providing services (in the case of county councils), and delivering outcomes on behalf of their member councils and regions (in the case of joint organisations), and need to identify and manage risks appropriately.

Given their lower risk profiles, county councils and joint organisations can share the administration of their risk management framework with another council to reduce costs.

Alternatively, joint organisations can undertake the coordination and administration of their member councils' risk management frameworks on behalf of the councils.

Any shared risk management function must operate as an individual resource for each council in the shared arrangement and implement the requirements in these Guidelines for each council individually.

A shared risk management function should only be established and utilised by a county council or joint organisation where the shared function can maintain a high level of understanding and fulfilment of each council's risk management needs, as well as effective working and reporting relationships with the general manager and senior staff of each council in the shared arrangement.

Councils that establish a shared risk management function should develop and sign a formal agreement with the other councils in the shared arrangement which outlines how the shared arrangement will operate and costs are shared.

Resourcing

AS ISO 31000:2018 requires each council to ensure sufficient resources are allocated to implement the council's risk management framework and deliver the internal controls needed to ensure the council's risks are appropriately managed.

In practice, this responsibility will fall to the governing body and/or general manager of the council.

These resources include the necessary:

- human resources (with appropriate skills and experience)
- technology, equipment, tools and information management systems for managing risk
- documented processes and procedures, and
- professional development and training for staff to ensure they can fulfil their risk management responsibilities.

To ensure that the governing body and/or general manager makes informed budgeting decisions, the audit, risk and improvement committee is to advise of the resources it considers that the council needs to effectively implement its risk management framework, having regard to any budgetary constraints facing the council and the council's operational environment.

Roles and responsibilities

AS ISO 31000:2018 requires that each council assign risk management roles and responsibilities to all relevant roles within the council.

To ensure effective implementation, the standard also requires each council to demonstrate strong leadership and commitment to risk management.

In practice, this will see the general manager, governing body and council staff take on the following responsibilities:

Governing body – strategic leadership

Consistent with the governing body's strategic leadership role under section 223 of the Local Government Act, the governing body is responsible for establishing the foundational elements of the council's risk management framework and setting the 'tone at the top'.

This includes approving by resolution the council's risk criteria/appetite – a statement that conveys how much risk will be tolerated by the governing body in the pursuit of the strategic objectives for the council, and how risk is to be managed and decisions made within this context.

The council's risk criteria/appetite is to be approved in consultation with the audit, risk and improvement committee.

General manager – operational leadership

Consistent with the general manager's role under section 335 of the Local Government Act to conduct the day-to-day management of the council, the general manager has ultimate responsibility and accountability for risk management in the council.

A council's general manager is responsible for implementation of the council's risk management framework. This includes:

- overseeing the council's risk management framework and ensuring it is effectively communicated, implemented and reviewed regularly
- approving the council's risk management policy, plans and risk reports (where applicable)
- promoting and championing a positive risk culture
- assigning authority and accountability for risk management at appropriate levels and to appropriate staff in the council, and ensuring they are held accountable for these responsibilities
- annually attesting that the council's risk management framework complies with these Guidelines (see below), and

- approving the council's implementation of corrective actions recommended by the council's internal audit function, external audit and audit, risk and improvement committee.

Depending on the council's needs, resources and organisational structure, and to assist the integration of risk management across the council, the general manager may wish to delegate responsibility for key aspects of the council's risk management framework to a senior manager or group of senior managers established for this purpose.

The delegate would report to the general manager on risk management issues.

An example risk management policy is provided at **Appendix 4**.

Risk management function – oversight and facilitation

Each council is to establish a risk management function responsible for the day-to-day activities required to implement the council's risk management framework and provide specialist risk management skills and knowledge.

The council's risk management function is a key support to the general manager in meeting their risk management responsibilities and reports directly to the general manager or their delegate.

Each council will have the flexibility to establish its risk management function based on its structure, resourcing, risk management needs and risk management maturity.

Regardless of its structure and composition, the role and responsibilities of the risk management function should include:

- supporting the general manager by coordinating and providing clear and concise risk information, advice and/or reports that can be used in planning and decision-making
- coordinating the various activities relating to risk management within the council
- helping to build a risk management culture within the council, including facilitating and driving risk management at the

strategic and operational level within the council and ensuring consistency in practice

- ensuring there are easily accessible systems and processes in place to enable all staff to conveniently undertake risk management in their day-to-day work
- ensuring risk management processes are applied consistently across the council
- organising appropriate staff risk management training and development
- developing and maintaining a risk reporting framework to enable regular advising/reporting of key risks, and the management of those risks, to the general manager or their delegate
- supporting council staff with their risk management obligations and providing staff with advice and tools to ensure risk management compliance
- implementing effective risk management communication mechanisms and information system/s
- establishing and maintaining an ongoing monitoring system to track the risk management activities undertaken within the council and assessing the need for further action
- assessing risk management information for completeness, accuracy and consistency (for example, risk registers, risk treatment plans), and
- preparing advice or reports for the audit, risk and improvement committee and attending committee meetings (where requested).

In order to fulfil its role, the risk management function needs to:

- have a well-developed understanding of the council and its operations
- have the skills, knowledge and leadership qualities required to support and drive risk management
- have sufficient authority to intervene in instances where risk management efforts are being hampered by a lack of cooperation or through lack of risk management capability or maturity, and
- be able to add value to the risk management process by providing guidance and support in managing difficult

risk, or risks spread across a number of the council's business units or operational areas.

Dual responsibilities

It is important that the risk management function is independent of line management to reduce the potential for management influence on the risks that are reported on, and to ensure independence.

Where risk management oversight or facilitation activities are performed by council staff with other council responsibilities, the council must put safeguards in place to limit any cognitive bias (which can lead to faulty risk assessments and decision-making errors).

Depending on the specific needs and circumstances of the council, these safeguards could include:

- the audit, risk and improvement committee being informed of the other council responsibilities the risk management function has, including reporting lines, responsibilities and expectations related to the role/s
- any potential issues or conflicts of interest arising from these other roles being formally documented and communicated to the committee
- risk management staff being prohibited from undertaking risk management evaluations and reviews in relation to the council operations they are responsible for, and/or
- the committee regularly assessing that the safeguards put in place are effective.

Internal audit function – review and assurance

Councils' internal audit function is responsible for reviewing and providing advice to the audit, risk and improvement committee and the council on the effectiveness of the council's risk management framework.

Given the need to maintain the independence and objectivity of the internal audit function, the following boundaries are to apply with respect to the role of the internal audit

function in relation to the council's risk management framework:

- it is to be clear that council management remains responsible for risk management
- the internal audit function is to provide advice and challenge and support management's decision-making, as opposed to taking risk management decisions themselves
- the internal audit function should not:
 - manage any of the risks on behalf of the council
 - set the council's risk criteria/appetite
 - impose risk management processes
 - decide or implement risk responses, or
 - be held accountable for risk management activities.

Audit, risk and improvement committee – advice and assurance

An audit, risk and improvement committee's role in relation to risk management is to support the governing body and general manager and to ensure that the council's risk management framework is appropriate and operationally effective.

The breadth and depth of this assurance role is to be determined by the council and the audit, risk and improvement committee and could include:

- assessing whether risks at all levels are identified, assessed and reviewed regularly by the council
- being involved in the regular review of the council's risk register
- reviewing the integration of risk management into business planning and program implementation activities, and/or
- providing assurance in relation to the management of risk or governance arrangements on individual projects, programs or activities.

Appendix 3 provides further examples of the activities the audit, risk and improvement committee could perform in relation to risk management.

Review and reporting

Quarterly reporting

Each council should ensure its risk management framework is regularly monitored and reviewed to ensure it is relevant, effective and complies with the current Australian risk management standard.

Each council should base its ongoing monitoring and review process on its own needs. However, this should include at a minimum, providing quarterly advice from the risk management function to the general manager or their delegate.

This will ensure that risks are being correctly identified, prioritised and treated, and any emerging problems are known and rectified quickly.

Annual assessment

Each council's risk management function is to conduct an annual self-assessment of the council's risk management framework.

The annual self-assessment is to report to the general manager whether the council's risk management framework:

- complies with these Guidelines
- is sufficiently resourced
- operates effectively, this includes whether:
 - the internal control framework appropriately reflects the council's risk criteria/appetite
 - risks are formally considered when developing and implementing all council policies, programs, projects and other activities, including procurement
 - risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks
 - major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect the council's risk criteria

- the council's internal controls are effective and appropriate
- the council's risk register and risk profile are current and appropriate
- risk information is captured and communicated in a timely manner across the council, enabling management and staff to carry out their responsibilities, and
- the council's risk management policies, procedures and plans are being complied with.

The general manager should discuss the annual assessment of the council's risk management function with the governing body and audit, risk and improvement committee at the council's strategic assurance meeting held each council term.

Strategic assessment

The Local Government Regulation (section 216S) requires councils' audit, risk and improvement committees to keep the implementation of a council's risk management framework under review and provide advice to the council on its implementation.

A council's audit, risk and improvement committee must provide an assessment of the effectiveness of the council's risk management framework to the governing body each council term, as part of the committee's four-yearly strategic assessment.



As part of the audit, risk and improvement committee's assessment of the council's risk management function, it should consider whether:

- the council is providing sufficient resources for risk management
- the council's risk management framework complies with these Guidelines, and
- the council's risk management framework operates effectively, is being complied with and supports the achievement of the council's strategic goals and objectives.

The general manager is to develop an action plan for the governing body to address any risk management issues identified by the committee.

The audit, risk and improvement committee and general manager should discuss the strategic assessment and action plan with the governing body at the council's strategic assurance meeting held each council term (see above).

Performance measures

To ensure the effectiveness of the council's risk management activities can be regularly monitored and reviewed, each council must ensure that it:

- assigns performance targets to risk management activities that can be measured against goals and objectives, and
- can obtain the data needed to measure the impact of the council's risk management framework.

Annual attestation

Commencing with the 2024-2025 annual report, the general manager will be required under the Local Government Regulation to attest each year in the council's annual report whether the council has complied with the requirements prescribed under the Regulation in relation to its risk management activities:

A template for the attestation is provided in Appendix 1 of these Guidelines.

Further resources

The following resources may be useful to councils seeking more information about the establishment and operation of their risk management framework. They provide examples, checklists, samples, templates and other practical tools councils could use.

This is not an exhaustive list but provides a useful starting point for councils that seek further information.

[A Guide to Risk Management – The State of Queensland \(Queensland Treasury\) \(2020\)](#)

Provides guidance on how to apply the Australian risk management standard, including checklists for each stage of the risk management process.

[AS ISO 31000:2018 Risk Management – Guidelines – International Standards Organisation \(2018\)](#)

The current Australian risk management standard at the time of printing (for purchase from the International Standards Organisation)

[Audit Committee Guidelines – Improving Accountability and Performance – The State of Queensland \(Queensland Treasury and Trade\) \(2012\)](#)

Provides checklists of the matters audit, risk and improvement committees are to consider when reviewing a council's risk management framework and internal controls.

[Dealing with Corruption, Fraud and the ICAC: the role of public sector Audit and Risk Committees – Independent Commission Against Corruption \(2020\)](#)

Provides information about the role of risk management in relation to fraud and corruption.

[Risk Management Toolkit for Public Sector Agencies \(TPP 12-03\) – NSW Treasury \(2012\)](#)

Consists of three parts:

- Executive Guide (TPP 12-03a)

- Volume 1 – Guidance for Agencies (TPP 12-03b), and
- Volume 2 – Templates, Examples and Case Study (TPP 12-03c).

Provides detailed and practical advice on the various elements of the Australian risk management standards (ISO 31000), templates and worked examples.

[The Three Lines of Defense in Effective Risk Management and Control – Institute of Internal Auditors \(2013\)](#)

Outlines the three lines of defence approach to risk management and the role of management and internal audit in risk management.

[The Role of Internal Auditing in Enterprise-Wide Risk Management – Institute of Internal Auditors](#)

Outlines what enterprise risk management is, how it can be implemented and the role of internal audit in risk management.

[Victorian Government Risk Management Framework Practice Guide – Victorian Managed Insurance Agency](#)

Provides guidance on how to apply the Australian risk management standard, including examples of a risk appetite/criteria statement.

Core requirement 3:

Internal audit

- Each council and joint organisation must have an independent internal audit function that reports to the audit, risk and improvement committee and is consistent with current international standards for internal audit



Guiding principles for internal audit

- ❖ The internal audit function operates independently and with appropriate expertise in a manner that is appropriate for the council.
- ❖ The internal audit function has access to all council information necessary to fulfil its role and responsibilities.
- ❖ The internal audit function is appropriately positioned in the council's governance framework to ensure its work complements the work of other internal and external assurance providers.
- ❖ The internal audit function has a comprehensive work plan linked to the council's strategic objectives and current and emerging risks.
- ❖ The audit, risk and improvement committee receives relevant and timely advice from the internal audit function to ensure the committee can fulfil its role and responsibilities.
- ❖ The internal audit function operates in a manner consistent with accepted international standards.
- ❖ The work of the internal audit function is thoroughly planned and executed, risk-based, client-focused and linked to the council's strategic goals.
- ❖ The internal audit function adds value to the council and is held accountable by the committee and governing body for its performance.
- ❖ Each council is accountable to the community for the effective implementation of its internal audit function.

assessment of the council's operations and risk and control activities.

Internal audit is defined in the International Professional Practices Framework issued by the Institute of Internal Auditors as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'.

A council's internal audit function must operate independently of the council and internal audit activities cannot be subject to direction by the council.



To ensure that the internal audit function remains independent from council management it must have a dual reporting line that reports:



- **administratively to the general manager or a sufficiently senior role in the council to ensure the internal audit function fulfils its responsibilities, and**
- **functionally to the audit, risk and improvement committee.**

Independence

Each council in NSW, (including county councils and joint organisations) must have an internal audit function to provide an independent unbiased



Resourcing

The governing body and general manager of the council must ensure that the council's internal audit function is sufficiently resourced to effectively carry out its work. The chairperson of the audit, risk and improvement committee should be consulted on the resourcing required.

The audit, risk and improvement committee's resourcing recommendations are to be minuted by the committee.

Internal audit charter

It is important that council's internal audit function has clear guidance on how it should support the audit, risk and improvement committee and the council, and that the committee and council has input into how the internal audit function will operate.

This will ensure there is clarity in the relationships between the audit, risk and improvement committee, the council and the internal audit function and that the performance of the internal audit function can be assessed.

The Local Government Regulation (section 216O) requires each council to adopt an internal audit charter to guide how internal audit will be undertaken by the council that is informed by the approved Model Internal Audit Charter provided at Appendix 5.



The internal audit charter is to be developed by the audit, risk and improvement committee in consultation with the general manager and the internal audit coordinator and approved by resolution by the governing body of the council.

Councils may include additional provisions in their internal audit charter so long as they are not inconsistent with the approved Model Internal Audit Charter.

The audit, risk and improvement committee is to review the council's internal audit charter annually in consultation with the general manager and the internal audit coordinator.

Role of the general manager

Consistent with their role under the Local Government Act (section 355) to conduct the day-to-day management of the council, the general manager has administrative responsibility for internal audit.

This means that the general manager is responsible for:

- advising the governing body on the resources required for the effective functioning of the internal audit function
- ensuring appropriate administrative support is provided to support the work of the internal audit function - for example, access to council's human resources networks, payroll, work health and safety, office facilities and resources, council information etc
- ensuring that the internal audit function is appropriately positioned within the council to work with external bodies and internal business units and to fulfil its role and responsibilities
- ensuring the internal audit function complies with the International Professional Practices Framework, and
- annually attesting, on behalf of the council, that the council is complying with the Regulation in relation to internal audit.

The general manager has no role in the performance of the internal audit function (e.g. the conduct of internal audits, the audit techniques used and the reporting of internal audit findings to the audit, risk and improvement committee).

Delegation

The general manager can, in consultation with the governing body of the council and the audit, risk and improvement committee, delegate their functions in relation to the oversight of the council's internal audit function to another role in the council that is sufficiently senior to ensure the internal audit function meets its responsibilities.

In making a delegation, consideration should be given to how the delegation will influence the internal audit function's ability to achieve the internal audit charter considering the:

- seniority and expertise of the delegate and demands placed on them by their other roles and responsibilities in the council
- support available to the delegate to successfully execute their delegation in relation to internal audit
- complexity of the council's core business

- risk profile of the council
- expectations of stakeholders, and
- likely demands placed on the internal audit function.

Role of the audit, risk and improvement committee

Under the Local Government Regulation (sections 216M, 216P and 216R), the audit, risk and improvement committee exercises functional oversight of a council's internal audit function to ensure it operates independently from the council.

This means that the audit, risk and improvement committee is responsible for:

- assisting the governing body to identify the resources necessary for the effective functioning of the internal audit function
- setting the annual and four-year strategic work plans for the internal audit function, including the audits that will be completed
- assessing the findings and recommendations of completed audits and providing the committee's advice and opinion on issues raised to the general manager and governing body of the council
- developing the internal audit charter that will guide the work of the internal audit function and how it operates, and
- reviewing the performance of the internal audit function.

Structure

Each council will have different internal audit requirements depending on the council's size, needs, budget and operational complexity and can either:

- establish an internal audit function for their own exclusive use, or
- share their internal audit function with another council, county council or joint organisation.

For cost and administrative efficiency, councils may also:

- establish an in-house internal audit function comprising of council staff (supplemented with contractors as may be required), and/or
- outsource their internal audit function to an external provider/s – for example, a private sector accounting firm, internal audit firm, internal audit contractor etc.

These options will assist councils, county councils and joint organisations:

- to establish their internal audit function in the most cost-effective way
- to source expert internal audit personnel in locations where it may be difficult to recruit staff with the necessary skill set
- to access a larger resource pool than would be available to a single council, and
- create efficiencies through common systems, shared knowledge and internal audit tools.

When deciding the most appropriate way to structure a council's internal audit function, the general manager should consider the viability and capacity of a shared internal audit function to achieve the council's internal audit charter given the:

- size of the council in terms of both staffing levels and budget
- geographical and functional distribution of the council's operations
- complexity of the council's core business
- risk profile of the council
- expectations of stakeholders, and
- likely demands placed on the internal audit function by other councils in the shared arrangement.

Whatever structure is adopted, the council's internal audit coordinator must:



- **be a council employee and cannot be outsourced, other than through a shared arrangement with another council, and**
- **meet the eligibility and independence criteria for the position.**

This is to ensure that the council retains strategic control of the internal audit function and can actively monitor its performance.

County councils

County councils may enter into a shared arrangement with one of their constituent councils or another council.

Joint organisations

Joint organisations that do not host a shared internal audit function for the use of their member councils can enter into a shared arrangement with a member council or, if this is not possible, with another council or joint organisation.

- specialist skills may not be available in-house
- reduced flexibility, and
- the need to provide council facilities and office space for internal audit personnel.

Councils that establish an in-house internal audit function are not limited to employing staff members and can supplement the internal audit team's work with audits undertaken by external providers where necessary.

Metropolitan and larger regional councils are encouraged to establish an in-house internal audit function given their:

- significant assets
- higher risk profiles
- higher levels of expenditure, and
- more complex transactions and operations.

In-house internal audit function

An in-house internal audit function is one where internal auditors and other staff (where required) are employed by the council to conduct the internal audits and other activities in the audit, risk and improvement committee's annual and four-year strategic work plans.

The advantages of establishing an in-house internal audit function may include:

- council retaining ownership of internal audit information
- confidentiality of sensitive information contained in audits
- stronger direction and oversight by the council of the internal audit function with more direct control over the quality of audits conducted
- internal auditors having council-specific knowledge and experience that delivers better audit results
- greater agility to respond quickly to emerging issues, and
- the retention of corporate knowledge within the council.

Disadvantages may include:

- challenges attracting and retaining suitable staff

Coordinator of an in-house internal audit function

Each council's internal audit function must be led by a staff member with sufficient skills, knowledge, experience and integrity to ensure it undertakes its role appropriately, fulfils its responsibilities to the audit, risk and improvement committee and makes a valuable contribution to the council.

The coordinator of an in-house internal audit function (described as the 'chief audit executive' in the International Professional Practices Framework) also needs to report to the general manager or a sufficiently senior role in the council that ensures the internal audit function fulfils its responsibilities.

For some councils with larger budgets and higher risks, the coordinator of an in-house internal audit function will require the support of a dedicated internal audit team to fulfil the internal audit charter.

For other smaller councils, their size and risk profile may not justify additional internal audit staff and the internal audit coordinator will be sufficient.

The internal audit coordinator may also have other council responsibilities outside of internal audit.

Role and responsibilities

For all in-house internal audit functions, regardless of size, the key responsibilities of the internal audit coordinator include:

- managing the day-to-day activities of the council's internal audit activities to ensure they add value to council
- managing the council's internal audit budget
- supporting the operation of the audit, risk and improvement committee
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the audit, risk and improvement committee
- monitoring the council's implementation of corrective actions that arise from the findings of audits
- fulfilling the committee's annual and four-year strategic work plans
- ensuring the council's internal audit activities comply with the Local Government Regulation and these Guidelines
- managing internal audit personnel and ensuring that they have the skills necessary to fulfil the role and responsibilities of the internal audit function (where appropriate), and
- contract management and oversight of supplementary external providers (where appropriate).

Eligibility criteria

To fulfil these responsibilities, the internal audit coordinator:

- must be a council employee and cannot be outsourced, other than through a shared arrangement with another council – this is to ensure that the council retains strategic control of the internal audit function and is able to actively monitor the performance of the internal audit function
- must be independent, impartial, unbiased and objective when performing their work and free from conflicts of interest

- should possess the following skills, knowledge and experience to effectively carry out their role:
 - the credibility to ensure they can negotiate on a reasonably equal footing with the general manager (or their delegate), governing body and audit, risk and improvement committee
 - the skills, knowledge and personal qualities necessary to lead credible and accepted internal audit activities in the council
 - strong experience overseeing internal audit
 - appropriate qualifications and professional certifications, and
 - local government experience (preferred).

The internal audit coordinator must also operate and conduct the internal audit activities in accordance with the International Professional Practices Framework, including its Code of Ethics.

As a council employee, the internal audit coordinator must comply with all relevant council policies and procedures, including the council's code of conduct.

Independence

It is important that the coordinator of an in-house internal audit function has the functional independence necessary to independently assess and report on the way the council operates.

As a safeguard, the Local Government Regulation (section 216P(3)) requires the general manager to consult with the chairperson of the audit, risk and improvement committee on any decisions affecting the employment of the internal audit coordinator (including disciplinary measures).

Where the chairperson of the audit, risk and improvement committee has any concerns about the treatment of the internal audit coordinator, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body of the council.

The internal audit coordinator should confirm at least annually to the audit, risk and improvement committee the independence of internal audit activities from the council.

Access to council staff and information

All internal audit personnel, including the coordinator of an in-house internal audit function have direct and unrestricted access to council staff, the audit risk and improvement committee and council information and resources necessary to undertake their role and responsibilities.



All council staff and contractors should have unrestricted access to the internal audit coordinator to allow them to alert them to emerging risks or internal audit related issues.

Internal audit team

Any other staff members appointed to council's in-house internal audit function report directly to the internal audit coordinator.

As council employees, internal audit staff must comply with all relevant council policies and procedures including the council's code of conduct.

In-house internal auditors must also conduct internal audit activities in accordance with the International Professional Practices Framework.

Internal audit should be performed by professionals with an appropriate level of understanding of the council's culture, systems and processes to provide assurance that the internal controls in place are sufficient to mitigate risk, that governance processes are adequate, and that organisational goals and objectives are met.

In-house internal auditors should therefore possess the following skills, knowledge and experience to effectively carry out their role:

- the skills, knowledge and experience necessary to conduct internal audit activities in the council – for example:
 - accounting

- finance
- economics
- governance
- management
- law
- taxation
- fraud and corruption
- IT

- effective interpersonal and communication skills to ensure they can engage with council staff effectively and collaboratively
- honesty, integrity and due diligence, and
- appropriate qualifications and professional certifications.

Local government experience or expertise is also strongly preferred.

Dual responsibilities

To ensure the internal audit function's independence and objectivity, it is best practice that the coordinator of an in-house internal audit function and any other members of an in-house internal audit team have no other council responsibilities other than internal audit.

However, it is recognised that some councils may find it difficult to employ a stand-alone coordinator of an in-house internal audit function or other supporting internal auditors because of the cost involved, or because the council's location, size and risk profile may not warrant stand-alone employees.

Councils can combine the role of the internal audit coordinator and/or members of the internal audit team with other responsibilities provided there are adequate safeguards put in place by the council to limit any real or perceived bias or conflicts of interest that may lead to faulty decision-making and cognitive bias.

An internal audit role must not be combined with the role of the general manager, chief financial officer or risk management function as it will create conflicts of interest that cannot be resolved.

Councils can also share their internal audit coordinator with another council, county council or joint organisation as part of a shared arrangement.

Depending on the specific needs and circumstances of the council, safeguards could include:

- any potential issues or conflicts of interest arising from a dual role being formally documented in the council's internal audit charter
- the audit, risk and improvement committee, or another suitably qualified and independent party, reviewing internal audit briefs, findings and recommendations before they are finalised where they concern any key risks overseen by the internal audit coordinator or internal audit team member in another role
- the internal audit coordinator or an internal audit team member not having responsibility for managing any risks or implementing any audit recommendations or corrective actions in their other role/s, and/or
- the audit, risk and improvement committee including an assessment of the independence and objectivity (for internal audit purposes) of the internal audit coordinator or any internal audit team members exercising a dual role in their annual assessment report to the governing body.

The endorsement of the governing body, in consultation with the audit, risk and improvement committee should also be sought for any combined roles.

Where the internal audit coordinator has a dual role in a council, they are to remain independent and report functionally to the audit, risk and improvement committee on their internal audit responsibilities.

For other council responsibilities, the internal audit coordinator reports functionally through normal council reporting lines to the general manager.

Outsourced internal audit function

Where a council outsources its internal audit function, the internal audits programmed by the audit, risk and improvement committee are undertaken by an external provider such as an internal audit or accounting firm, or an individual practitioner.

Contract management is overseen by an employee within the council.

The advantages of using external providers for internal audit activities may include:

- flexibility
- access to a wide range of expertise and experience that the council may not otherwise have in-house
- provides a window to better practice methods for smaller councils they may otherwise find difficult to access
- the ability to purchase services as and when required
- can increase internal audit's independence from the council
- overcoming challenges recruiting a dedicated internal audit coordinator and internal audit staff, and
- potential to negotiate lower fee-for-service costs.

Disadvantages may include:

- increased costs
- potential loss of corporate knowledge from the council
- difficulty building and maintaining professional relationships between council management and external contractors
- reduced oversight and control of internal audit activities
- additional in-house staff time required to source and manage external providers and contracts
- the external provider lacking council-specific knowledge
- internal audit coordinator is unlikely to be audit trained and may not have the knowledge to ensure audit quality is maintained, and

- potential confidentiality breaches.

Given their size, resources, geographical isolation and risk profiles, rural and smaller regional councils are encouraged, at a minimum, to establish an outsourced internal audit function.

Coordinator of an outsourced internal audit function

Compared to the coordinator of an in-house internal audit function which directly conducts or supervises internal audits and provides opinions and recommendations to the audit, risk and improvement committee, the coordinator of an outsourced internal audit function will, in practice, primarily be a coordination and administrative role.

The key responsibilities of any council staff member assigned responsibility for leading an outsourced internal audit function include:

- contract management
- managing the internal audit budget
- ensuring the external provider completes internal audits in line with the audit, risk and improvement committee's annual and four-year strategic work plans
- forwarding audit reports by the external provider to the audit, risk and improvement committee
- acting as a liaison between the external provider and the audit, risk and improvement committee
- monitoring the council's implementation of corrective actions that arise from the findings of audits and reporting progress to the audit, risk and improvement committee, and
- assisting the audit, risk and improvement committee to ensure the council's internal audit activities comply with the Local Government Regulation and these Guidelines.

To fulfil these responsibilities, the coordinator of an outsourced internal audit function:

- reports functionally to the audit, risk and improvement committee
- must be free from conflicts of interest

- must be a council employee and cannot be outsourced, other than through a shared arrangement with another council, county council or joint organisation – this is to ensure that the council retains control of the internal audit function and is able to actively monitor the performance of the external provider
- should possess the following skills, knowledge and experience to effectively carry out their role:
 - a good understanding of the work of audit, risk and improvement committees and internal audit, and
 - the skills, knowledge and personal qualities necessary to manage the council's contract with the external provider and liaise between the external provider and the audit, risk and improvement committee.

As a council employee, the coordinator of an outsourced internal audit function must comply with all relevant council policies and procedures, including the council's code of conduct.

Dual responsibilities

The coordinator of an outsourced internal audit function can be assigned other roles and responsibilities in the council.

Where the coordinator of an outsourced internal audit function has a dual role in a council, they are to remain independent and report functionally to the audit, risk and improvement committee in relation to their internal audit responsibilities.

For other council responsibilities, the coordinator of an outsourced internal audit function reports functionally through normal council reporting lines to the general manager.

Councils can combine the coordinator of an outsourced internal audit function's role with other responsibilities provided there are adequate safeguards put in place by the council to limit any real or perceived bias or conflicts of interest.

Depending on the specific needs and circumstances of the council, safeguards could include:

- any potential issues or conflicts of interest arising from a dual role being formally documented in the council's internal audit charter
- the audit, risk and improvement committee endorsing the dual roles
- the coordinator of the outsourced internal audit function not having responsibility for managing any risks or implementing any audit recommendations or corrective actions in their other role/s, and/or
- the committee including an assessment of the independence and objectivity (for internal audit purposes) of the coordinator of the outsourced internal audit function in their annual assessment report to the governing body.

External provider/s

It is important that any external provider engaged by a council is independent and can objectively assess and report on the way council operates.

To ensure the independence of an external provider, the coordinator of an outsourced internal audit function must ensure the external provider:

- does not conduct any audits on specific council operations or areas that they have worked on within the last two years
- is not the same auditor conducting the council's external audit
- is not the auditor of any contractors of the council that may be subject to the internal audit, and
- can satisfy the requirements in these Guidelines relating to internal audit.

The coordinator of the outsourced internal audit function must also consult with the audit, risk and improvement committee and general manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the council.

Chairperson of the audit, risk and improvement committee

The chairperson of an audit, risk and improvement committee overseeing an outsourced internal audit function is likely to have greater responsibilities than a chairperson overseeing an in-house internal audit function. Because the coordinator of an outsourced internal audit function is largely a coordination/administrative role, the chairperson and members of the audit, risk and improvement committee will do much of the 'heavy lifting' and will be the primary source of advice on the findings and recommendations of audits conducted by the external provider and assurance to the council.

Councils that establish an outsourced internal audit function must ensure that their audit, risk and improvement committee has the capacity and capability to undertake this enhanced role.

Shared internal audit function

Councils can:

- share an internal audit function with another council or joint organisation as part of an independent shared arrangement
- utilise the internal audit function established by their joint organisation that is shared by member councils
- for county councils – share an internal audit function with a constituent council where possible, or with another council
- for joint organisations – share an internal audit function with a member council where possible or with another council or joint organisation.

Councils can establish an in-house or outsourced internal audit function as part of a shared arrangement.

A shared internal audit function must operate as a standalone internal audit function for each participating council in the shared

arrangement and satisfy the requirements of the Local Government Regulation and these Guidelines for each participating council.

A shared internal audit function should only be established and utilised where all participating councils can be confident that the shared function can deliver a high level of understanding and fulfilment of each council's internal audit needs and maintain effective working and reporting relationships with each participating council in the shared arrangement.

Councils that establish a shared internal audit function should develop and sign a formal agreement with the other councils in the shared arrangement that outlines how the shared arrangement will operate and how costs will be shared.

Implementation

Given the administrative complexity of an internal audit function shared between and reporting to different councils, the following arrangements are recommended:

- the internal audit function is hosted by one of the councils, county councils or joint organisations in the shared arrangement
- the internal audit coordinator and any other internal audit team members are employees of the host council
- the internal audit coordinator reports administratively to the general manager (or their delegate) of the host council, and
- the general manager of the host council can only appoint or dismiss the internal audit coordinator in consultation with the general managers and audit, risk and improvement committees of each participating council.

For internal audit functions established by joint organisations and shared between member councils it is recommended that:

- the internal audit function is physically located at the offices of the joint organisation or a member council
- the internal audit coordinator reports administratively to the executive officer of the joint organisation

- the internal audit coordinator and any internal audit staff are employees of the joint organisation, and
- the executive officer of the joint organisation can only appoint or dismiss the internal audit coordinator in consultation with the general managers and audit, risk and improvement committees of each member council.

Coordinator of a shared internal audit function

In-house function

The coordinator of a shared in-house internal audit function needs to be able to:

- liaise with the governing body and general manager of each participating council about that council's internal audit activities
- implement the annual and four-year strategic work plans for each council
- conduct or oversee the individual audits of each council and monitor the implementation of corrective actions
- manage any contractual arrangements with external providers on behalf of each council (where required)
- attend the audit, risk and improvement committee meetings of each respective council on behalf of that council, and
- maintain separate and confidential information for each council.

Outsourced function

The coordinator of a shared outsourced internal audit function needs to be able to:

- manage contracts with external providers on behalf of all councils in the shared arrangement
- liaise with the audit, risk and improvement committee and general manager of each council
- coordinate the completion of audits by the external provider in line with each council's annual and four-year strategic work plans
- provide audit reports by the external provider to the relevant audit, risk and

- improvement committee and general manager and coordinate council responses
- monitor implementation by each council of corrective actions arising from the findings of audits and report progress to the audit, risk and improvement committee
 - assist each council's audit, risk and improvement committee to ensure the council's internal audit activities comply with the Local Government Regulation and these Guidelines, and
 - maintain separate and confidential information for each council.

Work plans

The work of each council's internal audit function will be guided by the four-year strategic work plan and annual work plan developed by the audit, risk and improvement committee (see core requirement 1).



Performing internal audits

It is essential that a council's internal audit function performs the council's internal audits to a high and consistent standard and that the findings and recommendations that arise from audits can be relied upon by the audit, risk and improvement committee and the council.

Each council's internal audits must be performed in accordance with the requirements of the International Professional Practices Framework.



The internal audit tools, techniques and methodologies used by the internal audit function must be approved by the audit, risk and improvement committee.

Where risk information or ratings are used during the internal audit process, they must be

developed and applied consistently with the current Australian risk management standard.

Audit reports

The internal audit coordinator must report the findings and recommendations of internal audits to the audit, risk and improvement committee when they are finalised.

The audit, risk and improvement committee will determine whether audit reports should be distributed to committee members out-of-session as they are completed, or at each quarterly meeting of the committee.

Each internal audit report must reflect the requirements of the International Professional Practices Framework.

This includes:

- necessary background information, including the objective and scope of the audit
- the audit processes and methodology used
- findings and recommendations based on the audit's objectives, prioritised according to their level of risk
- recommended remedial actions to address problems identified which have been prioritised according to risk, and
- a response or action plan from the general manager and/or responsible senior managers of the council.

Before reports are finalised, the internal audit coordinator must provide a draft of each report to the responsible senior manager/s for comment so that a response to each recommendation from each relevant business unit is included in the final report submitted to the audit, risk and improvement committee.

Timeframes for management responses to internal audit recommendations are to be agreed between the general manager and the internal audit coordinator and chairperson of the audit, risk and improvement committee.

Responsible senior managers may reject recommended corrective action/s on reasonable grounds but should discuss their position with the internal audit coordinator or the chairperson of the audit, risk and improvement committee before finalising the

council's position with the general manager. Reasons for rejecting the recommendation/s must be included in the final audit report.

For the recommendations that are accepted, responsible senior managers are required to ensure that:

- an action plan is prepared for each recommendation that assigns responsibility for implementation to a council staff member/s and timeframes for implementation
- all corrective actions are implemented within proposed timeframes, and
- the internal audit coordinator is provided regular updates in relation to the implementation of the internal audit action plan.

Where corrective actions are not implemented within agreed timeframes, the audit, risk and improvement committee can invite the responsible senior manager to explain why implementation has not occurred and how the resulting risk is being addressed in the interim.

The audit, risk and improvement committee can raise any concerns it may have about the council's response to internal audit reports with the general manager and in the committee's quarterly report to the governing body so that they are aware of the risks posed to the council.

Ongoing monitoring

The internal audit coordinator should establish an ongoing monitoring system to track the internal audits undertaken for the council and follow-up the council's progress in implementing corrective actions.

Key risks or emerging issues must be reported to the audit, risk and improvement committee and general manager to ensure they can be rectified quickly before their consequences escalate.

The audit, risk and improvement committee can raise any concerns it has that may arise between meetings with the governing body via an additional report where needed. The chairperson of the committee can also request to meet with the mayor.

This will ensure that the governing body is kept informed of significant emerging risks posed to the council.

Policies and procedures

The general manager, in consultation with the audit, risk and improvement committee, must develop and maintain policies and procedures to guide the operation of the council's internal audit function and the performance of internal audits.

These policies and procedures could include:

- the structure and resourcing of the internal audit function
- how internal audits will be conducted, reported, implemented and monitored
- audit methodology
- timeframes for reporting and the council's response to recommendations
- how any internal audit-related disputes are to be resolved
- the internal audit function's access to council staff, resources and information
- how the performance of the internal audit function will be reviewed
- communication between the audit, risk and improvement committee and internal audit function, and the internal audit function and the general manager, and
- information management including document retention, security and access to audit reports.

Providing advice to the audit, risk and improvement committee

Ongoing reporting to the audit, risk and improvement committee is essential to ensure that the committee is kept informed of matters considered by the internal audit function and any emerging issues that may require reporting to the governing body or general manager.

Quarterly updates

The internal audit coordinator is to ensure that the audit, risk and improvement committee is advised at each of the committee's quarterly meetings of

- the internal audits completed during that quarter
- progress in implementing the annual work plan, and
- progress made implementing corrective actions arising from any past internal audits.

The way this information is communicated is to be decided by the audit, risk and improvement committee in consultation with the internal audit coordinator.

Ongoing advice

The internal audit coordinator can meet with the chairperson of the audit, risk and improvement committee at any time, as necessary, between committee meetings.

This is particularly important to ensure that any urgent or emerging issues identified by the internal audit function can be quickly reported to the audit, risk and improvement committee for consideration and action before their consequences escalate.

Internal audit documents

Internal audit documentation includes any information or documents produced or obtained by a council's internal audit function that relates to the internal audit activities of the council.

All internal audit documents:

- are for internal use only, subject to the requirements of the *Government Information (Public Access) Act 2009* (GIPA Act)
- are to remain the property of the audited council, including where internal audit services are performed by an external

provider – all rights reside with the audited council

- must be documented, retained and controlled in accordance with the International Professional Practices Framework and council policies
- can be accessed by the audit, risk and improvement committee and external auditor without restriction
- can be accessed by the governing body by resolution, subject to the approval of the chairperson of the audit, risk and improvement committee (any disputes can be referred to the Office of Local Government for resolution)
- subject to the GIPA Act, can only be released to an external party with the approval of the general manager and the chairperson of the audit, risk and improvement committee, except where the information is being provided to an external oversight or investigative body for the purposes of informing that agency of a matter that may warrant its attention.

Any internal audit documentation provided to any individual, including members of the governing body, should be treated as strictly confidential.

The chairperson of the audit, risk and improvement committee may refuse to provide access to internal audit documents or information to anyone who has previously released such information without authorisation.

Review of internal audit function performance

It is important that the work of each council's internal audit function is regularly assessed, and that internal auditors are accountable for their performance.

This will ensure that the internal audit function is making a valuable contribution to the council and allows the audit, risk and improvement committee and the council to understand how the council is performing in

relation to the matters listed in section 428A of the Local Government Act.

It will also ensure that the audit, risk and improvement committee and council can determine whether any changes to the internal audit function are required.

Annual assessment

The audit, risk and improvement committee must review the performance of the internal audit function each year and report its findings to the governing body as part of the committee's annual assessment.

The annual assessment is to ensure that any concerns regarding the operation of the internal audit function and compliance with the International Professional Practices Framework can be dealt with before they are identified in the four-yearly strategic review, by which time their consequences may have escalated.

An annual assessment will also encourage continuous improvement of the council's internal audit activities.

The audit, risk and improvement committee is to determine the nature of this assessment. It could be conducted, for example, via a self-assessment performed by the internal audit coordinator.

More information about the audit, risk and improvement committee's annual assessments is provided under core requirement 1.

Four-yearly strategic assessment

A council's audit, risk and improvement committee is to provide an assessment of the effectiveness of the council's internal audit function to the general manager and governing body in each term of the council, as part of the committee's four-yearly strategic assessment.



This assessment is to occur regardless of whether the council has established an in-house or outsourced internal audit function, as the assessment focuses on how the council has implemented its internal audit function.

As part of the audit, risk and improvement committee's assessment of the council's internal audit function, it should consider:

- the views of an independent external party with strong knowledge of internal audit operation
- the independence of the internal audit function
- whether resourcing is sufficient
- whether the internal audit function complies with the Local Government Regulation and these Guidelines and the International Professional Practices Framework
- the appropriateness of annual and strategic work plans based on the risks facing the council
- progress against key performance indicators
- whether the internal audit function adds value and delivers outcomes for the council, and
- the appropriateness of the internal audit charter.

To ensure the views of the external party consulted are robust, the external party should have:

- strong skills, knowledge and expertise in internal audit
- a working knowledge of the International Professional Practices Framework, and
- no conflicts of interest that may result in bias or a lack of objectivity.

The audit, risk and improvement committee, in consultation with the general manager, is to develop an action plan for the governing body to address any issues identified by the committee in relation to the performance of the internal audit function.

The audit, risk and improvement committee's strategic assessment and action plan is to be discussed with the governing body and general manager at the strategic assurance meeting held each council term.

More information about the audit, risk and improvement committee's strategic assessment is provided under core requirement 1.

Reporting concerns about councillors or council staff

Given the nature of internal audit, there may be times when the internal audit function identifies concerns about the conduct of council staff.

Where the internal audit coordinator has concerns regarding a staff member, they can:

- raise their concerns with the chairperson of the audit, risk and improvement committee (if it relates to the effectiveness of the internal audit function)
- report breaches of the council's code of conduct to the general manager, or by the general manager to the mayor, as required by the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*
- report their concerns through the council's internal reporting policy, complaints handling policy or other associated protocols, and/or
- make a public interest disclosure under the *Public Interest Disclosures Act 2022* to the:
 - Independent Commission Against Corruption (concerning corrupt conduct)
 - NSW Ombudsman (concerning maladministration)
 - NSW Auditor General (concerning serious and substantial waste of public money)
 - Office of Local Government (concerning serious and substantial waste in local government and breaches of pecuniary interest obligations), and/or
 - Information and Privacy Commissioner (concerning government information contraventions).

Annual attestation

Commencing with the 2024-2025 annual report, the general manager will be required under the Local Government Regulation to attest each year in the council's annual report whether the council has complied with the requirements prescribed under the Regulation in relation to its internal audit function.

A template for the attestation is provided in Appendix 1 of these Guidelines.

Further resources

The following resources may be useful to councils seeking more information about the establishment and operation of their internal audit function.

This is not an exhaustive list but provides a useful starting point for councils seeking to better understand internal audit, how it can be used by councils to improve performance, and practical tools, examples and templates to adapt for their own use.

[International Professional Practices Framework \(mandatory guidance\)](#) – **Institute of Internal Auditors (2017)**

Outlines the mandatory requirements for undertaking internal auditing under the International Professional Practices Framework.

Consists of four parts:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing

[International Professional Practices Framework \(recommended guidance\)](#) – **Institute of Internal Auditors (2017)**

Provides detailed guidance on how to implement the International Professional Practice Framework.

Consists of two parts:

- Implementation Guide – assists an internal audit function to apply the standards and understand how compliance will be measured by the audit, risk and improvement committee, and

- Supplemental Guide (Practice Guides) – provides detailed processes and procedures for the internal audit function.

[How can audit committee members add value?](#) – **PriceWaterhouseCoopers (2011)**

Provides a checklist for measuring the performance of an internal audit function.

[Internal Audit in Australia](#) – **Institute of Internal Auditors Australia (2016)**

Provides an overview of the role of internal audit and the internal audit function, including:

- the different types of work plans that can be used to guide internal audit activity
- the skills, knowledge, experience and qualifications/certifications required of internal auditors
- performing, reporting and monitoring internal audits, and
- how to review the performance of an internal audit function, including performance measures that could be used

[Practice Guide – Talent Management: Recruiting, Developing, Motivating and Retaining Great Team Members](#) – **Institute of Internal Auditors (2015)**

Provides guidance on how to establish an effective internal audit team (for purchase from the Institute of Internal Auditors).

[Quality Assessment Manual for the Internal Audit Activity](#) – **Institute of Internal Auditors (2017)**

Outlines how the performance of council's internal audit function can be assessed both internally and externally against the International Professional Practices Framework.

Implementation

Under the Local Government Act, all councils and joint organisations are required to have appointed an audit, risk and improvement committee by **4 June 2022**.

Councils and joint organisations have until **1 July 2024**, to comply with the requirements prescribed under the Local Government Regulation.

Audit, risk and improvement committees

New committees

Councils and joint organisations are required under section 428A of the Local Government Act to appoint an audit, risk and improvement committee by **4 June 2022**.

Councils and joint organisations that do not have an audit, risk and improvement committee must take immediate steps to appoint a committee or to enter into an arrangement with another council or joint organisation to share a committee.

Existing committees

Councils and joint organisations that already have an audit, risk and improvement committee will already comply with the requirement under the Local Government Act to appoint a committee.

Transitional arrangements

Councils and joint organisations with existing committees have until **1 July 2024** to ensure the membership and operations of their committee comply with the requirements prescribed under the Local Government Regulation.

Risk management framework

Councils and joint organisations have until **1 July 2024** to establish a risk management framework.

Internal audit function

Councils and joint organisations have until **1 July 2024** to establish an internal audit function and to ensure it complies with Local Government Regulation.

Attestation

Commencing with the **2024-2025 annual report**, general managers of councils and executive officers of joint organisations are required to publish an attestation statement each year in the annual report indicating whether, during the preceding financial year, the council's or joint organisation's audit, risk and improvement committee, risk management framework and internal audit function complied with the requirements prescribed in the Local Government Regulation. A template for the attestation statement is provided in Appendix 1 of these Guidelines.

Appendices

Appendix 1:

Attestation template

Internal audit and risk management attestation statement for the [years] financial year for [council/joint organisation]

I am of the opinion that [council/joint organisation] has an audit, risk and improvement committee, risk management framework and internal audit function that operate in compliance with the following requirements except as may be otherwise provided below:

Audit, risk and improvement committee

	Requirement	Compliance
1.	[Council/joint organisation] has appointed an audit, risk and improvement committee that comprises of an independent chairperson and at least two independent members (section 428A of the <i>Local Government Act 1993</i> , section 216C of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
2.	The chairperson and all members of [council's/joint organisation's] audit, risk and improvement committee meet the relevant independence and eligibility criteria prescribed under the <i>Local Government (General) Regulation 2021</i> and have not exceeded the membership term limits prescribed under the Regulation (sections 216D, 216E, 216F, 216G of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
3.	[Council/joint organisation] has adopted terms of reference for its audit, risk and improvement committee that are informed by the model terms of reference approved by the Departmental Chief Executive of the Office of Local Government and the committee operates in accordance with the terms of reference (section 216K of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
4.	[Council/joint organisation] provides the audit, risk and improvement committee with direct and unrestricted access to the [general manager/executive officer] and other senior management and the information and resources necessary to exercise its functions (section 216L of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
5.	[Council's/joint organisation's] audit, risk and improvement committee exercises its functions in accordance with a four-year strategic work plan that has been endorsed by the governing body and an annual work plan that has been developed in consultation with the governing body and senior management (Core requirement 1 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i>).	[compliant or non-compliant]
6.	[Council's/joint organisation's] audit, risk and improvement committee provides the governing body with an annual assessment each year,	[compliant or non-compliant -

	and a strategic assessment each council term of the matters listed in section 428A of the <i>Local Government Act 1993</i> reviewed during that term (Core requirement 1 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i>).	include date of last strategic assessment provided]
7.	The governing body of [council/ joint organisation] reviews the effectiveness of the audit, risk and improvement committee at least once each council term (Core requirement 1 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i>).	[compliant or non-compliant - include date of last review]

Membership

The chairperson and membership of the audit, risk and improvement committee are:

Chairperson	[name]	[start term date]	[finish term date]
Independent member	[name]	[start term date]	[finish term date]
Independent member	[name]	[start term date]	[finish term date]
[Councillor/board] member ¹	[name]	[start term date]	[finish term date]

Risk Management

	Requirement	Compliance
8.	[Council/joint organisation] has adopted a risk management framework that is consistent with current Australian risk management standard and that is appropriate for the [council's/joint organisation's] risks (section 216S of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
9.	[Council's/joint organisation's] audit, risk and improvement committee reviews the implementation of its risk management framework and provides a strategic assessment of its effectiveness to the governing body each council term (section 216S of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant - include date of last strategic assessment provided]

Internal Audit

	Requirement	Compliance
10.	[Council/joint organisation] has an internal audit function that reviews the council's operations and risk management and control activities (section 216O of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
11.	[Council's/joint organisation's] internal audit function reports to the audit, risk and improvement committee on internal audit matters (sections 216M, 216P and 216R of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
12.	[Council's/joint organisation's] internal audit function is independent and internal audit activities are not subject to direction by the [council/joint	[compliant or non-compliant]

	Requirement	Compliance
	[organisation] (section 216P of the <i>Local Government (General) Regulation 2021</i>).	
13.	[Council/joint organisation] has adopted an internal audit charter that is informed by the model internal audit charter approved by the Departmental Chief Executive of the Office of Local Government and the internal audit function operates in accordance with the charter (section 216O of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
14.	[Council/joint organisation] has appointed a member of staff to direct and coordinate internal audit activities or is part of a shared arrangement where a participating [council/joint organisation] has appointed a staff member to direct and coordinate internal audit activities for all participating councils (section 216P of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
15.	Internal audit activities are conducted in accordance with the International Professional Practices Framework (Core requirement 3 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i>).	[compliant or non-compliant]
16.	[Council/joint organisation] provides the internal audit function with direct and unrestricted access to staff, the audit, risk and improvement committee, and the information and resources necessary to undertake internal audit activities (section 216P of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant]
17.	[Council's/joint organisation's] internal audit function undertakes internal audit activities in accordance with a four-year strategic work plan that has been endorsed by the governing body and an annual work plan that has been developed in consultation with the governing body and senior management (Core requirement 3 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i>).	[compliant or non-compliant]
18.	[Council's/joint organisation's] audit, risk and improvement committee reviews the effectiveness of the internal audit function and reports the outcome of the review to the governing body each council term (section 216R of the <i>Local Government (General) Regulation 2021</i>).	[compliant or non-compliant - include date of last strategic assessment provided]

Non-compliance with the *Local Government (General) Regulation 2021*

I advise that [council/joint organisation] has not complied with the following requirements prescribed under the *Local Government (General) Regulation 2021* with respect to the operation of its [audit, risk and improvement committee/risk management/internal audit processes] (omit where relevant):

Non-compliance	Reason	Alternative measures being implemented	How the alternative measures achieve equivalent outcomes
[requirement]	[description of: <ul style="list-style-type: none"> • why compliance was unreasonable, or • how compliance would have had a significant impact on the council's budget, and • what attempts were made to enter into an agreement with another council or joint organisation to ensure compliance] 	[description of the alternative arrangement to ensure an equivalent outcome to the requirement]	[description of how the alternative measure will achieve an equivalent outcome]

These processes, including the alternative measures implemented, demonstrate that [council/joint organisation] has established and maintained frameworks, systems, processes and procedures for appropriately managing audit and risk within [council/joint organisation].

[signed]

[name and position]

[date]

Appendix 2:

Audit, risk and improvement committee – role and responsibilities

Under section 428A of the Local Government Act, each council (including county councils and joint organisations) must have an audit, risk and improvement committee to independently review and provide advice to the council regarding the following aspects of the council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the council, and
- any other matters prescribed by the regulation (i.e. internal audit).

The committee must also provide information to the council for the purpose of improving the council's performance of its functions.

The audit, risk and improvement committee and the council are to agree on the specific activities the committee is to review based on the council's needs, risks and business functions.

The following is a list of activities audit, risk and improvement committees and councils should consider as part of the committee's 'audit', 'risk' and 'improvement' roles based on the requirements of section 428A of the Local Government Act.

This is not an exhaustive list and audit, risk and improvement committees and councils are encouraged to carefully consider the council's business operations, service delivery, financial management processes, internal audit function, external accountability requirements, risk management framework, governance arrangements and integrated planning and reporting framework to maximise the advice and assistance the committee can provide to the council.

Audit

Internal audit

Section 428A(2)(i) of the Local Government Act

Principle

The council has an effective internal audit function and receives maximum value from its internal audit activities.

Committee's role

- Provide overall strategic oversight of internal audit activities.
- Act as a forum for communication between the governing body, general manager, senior management, the internal audit function and external audit.
- Coordinate as far as is practicable, the work programs of internal audit and other assurance and review functions.
- Advise the general manager and governing body of the council:
 - whether the council is providing the resources necessary to successfully deliver the internal audit function
 - if the council is complying with internal audit requirements, including compliance with the International Professional Practices Framework
 - if the council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the council's internal audit function
 - if the council's internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised

- of the implementation by the council of the corrective actions
- on the appointment of the internal audit coordinator and external providers, and
- if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities.

External audit

Principle

The council receives maximum value from its external audit activities.

Committee's role

- Act as a forum for communication between the governing body, general manager, senior management, the internal audit function and external audit.
- Coordinate as far as is practicable, the work programs of internal audit and external audit.
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided.
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations.
- Provide advice to the governing body and/or general manager on action taken on significant issues raised in relevant external audit reports and better practice guides.

Risk

Compliance framework

Section 428A(2)(a) of the Local Government Act

Principle

The council has an effective compliance framework that ensures it is complying with its legal obligations and other governance and contractual requirements when undertaking its functions.

Committee's role

Advise the general manager and governing body of the council of the adequacy and effectiveness of the council's compliance framework, including:

- if the council has appropriately considered legal and compliance risks as part of the council's risk management framework
- how the council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Risk management

Section 428A(2)(b) of the Local Government Act

Principle

The council has an effective risk management framework and internal controls that successfully identify and manage the risks it faces.

Committee's role

Advise the general manager and governing body of the council on the following:

Risk management framework

- whether the council is providing the resources necessary to successfully implement its risk management framework

- if the council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the council's risk management framework is adequate and effective for identifying and managing the risks the council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the council has taken steps to embed a culture that is committed to ethical and lawful behaviour
- if there is a positive risk culture within the council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the council's risk management approach impacts on the council's insurance arrangements
- of the effectiveness of the council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal control framework

- if the internal controls in place are appropriate for the risk the council faces
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the council's monitoring and review of controls, including policies and procedures, is sufficient, and

- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Fraud and corruption control framework

Section 428A(2)(c) of the Local Government Act

Principle

The council has an effective fraud and corruption control framework in place that minimises the incidence of fraud and corruption.

Committee's role

Advise the general manager and governing body of the council of the adequacy and effectiveness of the council's fraud and corruption prevention framework and activities, including whether the council has:

- a fraud and corruption policy
- clearly defined responsibilities for managing fraud and corruption
- risk-based preventative and detective controls
- policies, systems and processes to respond to, investigate and report suspected fraud and corruption
- employee awareness/education measures
- robust third-party management systems
- appropriate processes and systems in place to capture and effectively investigate fraud-related information
- regular review of the fraud and corruption control framework and reporting, and
- implemented applicable guidance and other better practice measures by the Independent Commission Against Corruption.

Financial management framework

Section 428A(2)(d) of the Local Government Act

Principle

The council has an effective financial management framework, sustainable financial position and positive financial performance.

Committee's role

Advise the general manager and governing body of the council on the following:

External accountability and financial reporting framework

- if the council is complying with accounting standards and external accountability requirements
- of the appropriateness of the council's accounting policies and disclosures
- of the implications for the council of the findings of external audits and performance audits and the council's responses and implementation of recommendations
- whether the council's financial statement preparation procedures and timelines are sound
- the accuracy of the council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the council to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the council's annual report is consistent with signed financial statements.

Financial management framework

- if the council's financial management processes are adequate

- the adequacy of cash management and credit card use policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases.

Financial position and performance

- if policies and procedures for management review and consideration of the financial position and performance of the council are adequate.

Grants and tied funding policies and procedures

- if the council's grants and tied funding policies and procedures are sound.

Governance framework

Section 428A(2)(e) of the Local Government Act

Principle

The council has an effective governance framework to ensure it is appropriately directing and controlling the management of the council.

Committee's role

Advise the governing body and general manager if the council's governance framework is sound, including the council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities

- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge.

Improvement

Strategic planning

Section 428A(2)(f) of the Local Government Act

Principle

The council has an effective framework that ensures it achieves its strategic plans and objectives under the integrated planning and reporting (IP&R) framework.

Committee's role

Advise the general manager and governing body of the council:

- of the adequacy and effectiveness of the council's IP&R processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the council is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

Section 428A(2)(g) and section 428A(3) of the Local Government Act

Principle

The council has an effective framework to ensure it is delivering services and conducting its business and functions to an expected standard.

Committee's role

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW

government agencies, Commonwealth government agencies, insurance bodies).

- Advise the general manager and governing body of the council:
 - if the council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the council can improve its service delivery and the council's performance of its business and functions generally.

Performance data and measurement

Section 428A(2)(h) of the Local Government Act

Principle

The council's performance management framework ensures the council can measure its performance and if it is achieving its strategic goals.

Committee's role

Advise the general manager and governing body of the council:

- if the council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- the performance indicators the council uses are effective, and
- of the adequacy of performance data collection and reporting.

Appendix 3:

Model terms of reference for audit, risk and improvement committees

Model terms of reference for local government audit, risk and improvement committees

[Council/joint organisation] has established an audit, risk and improvement committee in compliance with section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. These terms of reference set out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of [council's/joint organisation's] audit, risk and improvement committee is to provide independent assurance to [council/joint organisation] by monitoring, reviewing and providing advice about the [council's/joint organisation's] governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide [council/joint organisation] with robust, objective and unbiased advice and assurance.

The committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the [council/joint organisation]. The committee will provide independent advice to the [council/joint organisation] that is informed by the [council's/joint organisation's] internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The committee must always ensure it maintains a direct reporting line to and from the [council's/joint organisation's] internal audit function and act as a mechanism for internal audit to report to the governing body and the [general manager/executive officer] on matters affecting the performance of the internal audit function.

Authority

[Council/joint organisation] authorises the committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from the [council/joint organisation]
- use any [council/joint organisation] resources it needs
- have direct and unrestricted access to the [general manager/executive officer] and senior management of the [council/joint organisation]
- seek the [general manager's/executive officer's] permission to meet with any other [council/joint organisation] staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at committee meetings, and
- obtain external legal or other professional advice in line with councils' procurement policies. [Detail any prior approval needed or pre-determined budget for costs].

Information and documents pertaining to the committee are confidential and are not to be made publicly available. The committee may only release [council/joint organisation] information to external parties that are assisting the committee to fulfil its responsibilities with the approval of the [general manager/executive officer], except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention. [amend if documentation is to be made available to the public].

Composition and tenure

The committee consists of an independent chairperson and [two] independent members who have voting rights and [one non-voting councillor/board member], as required under the *Local Government (General) Regulation 2021*.

The governing body is to appoint the chairperson and members of the committee. Current committee members are:

[name]	Independent chairperson (voting)
[name]	Independent member (voting)
[name]	Independent member (voting)
[name]	[Councillor/board] member (non-voting) (if applicable) [cannot be the mayor]

All committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chairperson of the committee. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the committee before being appointed again. To preserve the committee's knowledge of the [council/joint organisation], ideally, no more than one member should retire from the committee because of rotation in any one year.

The terms and conditions of each member's appointment to the committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the governing body is to undertake an assessment of the chairperson's or committee member's performance. Reappointment of the chairperson or a committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.

Members of the committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the [council/joint organisation], the environment in which the [council/joint organisation] operates, and the contribution that the committee makes to the [council/joint organisation]. At least one member of the committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the [council's/joint organisation's] financial reporting responsibilities to be

able to contribute to the committee's consideration of the [council's/joint organisation's] annual financial statements.

[Add any relevant details about shared arrangements, if applicable].

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the committee is to review and provide independent advice to the [council/joint organisation] regarding the following aspects of the [council's/joint organisation's] operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the [council/joint organisation], and
- internal audit.

The committee must also provide information to the [council/joint organisation] for the purpose of improving the [council's/joint organisation's] performance of its functions.

The committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these terms of reference.

The committee will act as a forum for consideration of the [council's/joint organisation's] internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the [council/joint organisation] rests with the governing body and the [general manager/executive officer].

The responsibilities of the committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of members

Independent members

The chairperson and members of the committee are expected to understand and observe the requirements of the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- contribute the time needed to review and understand information provided to it
- apply good analytical skills, objectivity and judgement

- act in the best interests of the [council/joint organisation]
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the [council/joint organisation]
- have strong leadership qualities (chairperson)
- lead effective committee meetings (chairperson), and
- oversee the [council's/joint organisation's] internal audit function (chairperson).

[Councillor/board] members (if applicable)

To preserve the independence of the committee, the [councillor/board] member of the committee is a non-voting member. Their role is to:

- relay to the committee any concerns the governing body may have regarding the [council/joint organisation] and issues being considered by the committee
- provide insights into local issues and the strategic priorities of the [council/joint organisation] that would add value to the committee's consideration of agenda items
- advise the governing body (as necessary) of the work of the committee and any issues arising from it, and
- assist the governing body to review the performance of the committee.

Issues or information the councillor member raises with or provides to the committee must relate to the matters listed in Schedule 1 and issues being considered by the committee.

The [councillor/board] member of the committee must conduct themselves in a non-partisan and professional manner. The [councillor/board] member of the committee must not engage in any conduct that seeks to politicise the activities of the committee or the internal audit function or that could be seen to do so.

If the [councillor/board] member of the committee engages in such conduct or in any other conduct that may bring the committee and its work into disrepute, the chairperson of the committee may recommend to the [council/joint organisation], that the [councillor/board] member be removed from membership of the committee. Where the [council/joint organisation] does not agree to the committee chairperson's recommendation, the [council/joint organisation] must give reasons for its decision in writing to the chairperson.

Conduct

Independent committee members are required to comply with the [council's/joint organisation's] code of conduct.

Complaints alleging breaches of the [council's/joint organisation's] code of conduct by an independent committee member are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The [general manager/executive officer] must consult with the governing body before taking any disciplinary action against an independent committee member in response to a breach of the [council's/joint organisation's] code of conduct.

Conflicts of interest

Once a year, committee members must provide written declarations to the [council/joint organisation] stating that they do not have any conflicts of interest that would preclude them from being members of the committee. Independent committee members are 'designated persons' for the purposes of the [council's/joint organisation's] code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and [current Australian risk management standard], where applicable.

Work plans

The work of the committee is to be thoroughly planned and executed. The committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the committee.

The committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the committee.

When considering whether to vary the strategic or annual work plans, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

Assurance reporting

The committee must regularly report to the [council/joint organisation] to ensure that it is kept informed of matters considered by the committee and any emerging issues that may influence the strategic direction of the [council/joint organisation] or the achievement of the [council's/joint organisation's] goals and objectives.

The committee will provide an update to the governing body and the [general manager/executive officer] of its activities and opinions after every committee meeting.

The committee will provide an annual assessment to the governing body and the [general manager/executive officer] on the committee's work and its opinion on how the [council/joint organisation] is performing.

The committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the [general manager/executive officer].

The committee may at any time report to the governing body or the [general manager/executive officer] on any other matter it deems of sufficient importance to warrant their attention. The [mayor/chairperson] and the chairperson of the committee may also meet at any time to discuss issues relating to the work of the committee.

Should the governing body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual [councillors/board members] are not entitled to request or receive information from the committee.

Administrative arrangements

Meetings

The committee will meet at least [number (minimum of 4)] times per year, [including a special meeting to review the [council's/joint organisation's financial statements]].

The committee can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a committee member, the [general manager/executive officer] or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the chairperson has the casting vote.

The chairperson of the committee will decide the agenda for each committee meeting. Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

The [mayor/chairperson], [general manager/executive officer] and the [internal audit coordinator] should attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The chairperson can request the [council's/joint organisation's] [chief finance officer or equivalent], [head of risk management function or equivalent], [senior managers or equivalent], any [councillors/board members], any employee/contractor of the council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chairperson at any time.

The committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

The committee must meet separately with the [internal audit coordinator] and the [council's/joint organisation's] external auditor at least once each year.

Dispute resolution

Members of the committee and the [council's/joint organisation's] management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the committee and the [general manager/executive officer] or other senior managers, the dispute is to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Secretariat

The [general manager/executive officer] will nominate a staff member to provide secretariat support to the committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the chairperson at least [number] weeks before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within [agreed timeframe] of the meeting to each member.

Resignation and dismissal of members

Where the chairperson or a committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give [agreed timeframe] notice to the chairperson and the governing body prior to their resignation to allow the [council/joint organisation] to ensure a smooth transition to a new chairperson or committee member.

The governing body can, by resolution, terminate the appointment of the chairperson or an independent committee member before the expiry of their term where that person has:

- breached the council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a [councillor/board] member on the committee can be terminated at any time by the governing body by resolution.

Review arrangements

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the committee.

These terms of reference must be reviewed annually by the committee and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Further information

For further information on [council's/joint organisation's] audit, risk and improvement committee, contact [name] on [email address] or by phone [phone number].

Reviewed by chairperson of the audit, risk and improvement committee

[signed]

[date]

Reviewed by [council/joint organisation] in accordance with a resolution of the governing body.

[signed]

[date]

[resolution reference]

Next review date: [date]

Schedule 1 – Audit, risk and improvement committee responsibilities

[Note: each council/joint organisation is to determine the responsibilities of its committee related to each matter listed in section 428A of the Local Government Act 1993 and list them in Schedule 1 to the committee's terms of reference. Suggested responsibilities are provided below and further detailed in core requirement 1 and Appendix 2 of these Guidelines.]

Audit

Internal audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the governing body, [general manager/executive officer], senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise the [council/joint organisation]:
 - on whether the [council/joint organisation] is providing the resources necessary to successfully deliver the internal audit function
 - if the [council/joint organisation] is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the [council's/joint organisation's] internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the [council/joint organisation] are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the [council's/joint organisation's] internal audit function
 - if the [council's/joint organisation's] internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by the [council/joint organisation] of these corrective actions
 - on the appointment of the internal audit coordinator and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

- Act as a forum for communication between the governing body, [general manager/executive officer], senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and external audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations
- Provide advice to the governing body and/or [general manager/executive officer] on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise the [council/joint organisation]:

- if the [council's/joint organisation's] has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the [council/joint organisation] is providing the resources necessary to successfully implement its risk management framework
- whether the [council's/joint organisation's] risk management framework is adequate and effective for identifying and managing the risks the [council/joint organisation] faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the [council/joint organisation] and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the [council's/joint organisation's] risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the [council/joint organisation] has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the [council/joint organisation] and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the [council's/joint organisation's] risk management approach impacts on the [council's/joint organisation's] insurance arrangements
- of the effectiveness of the [council's/joint organisation's] management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise the [council/joint organisation]:

- whether the [council's/joint organisation's] approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the [council/joint organisation] has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the [council's/joint organisation's] monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise the [council/joint organisation] of the adequacy and effectiveness of the [council's/joint organisation's] compliance framework, including:

- if the [council/joint organisation] has appropriately considered legal and compliance risks as part of the [council's/joint organisation's] risk management framework
- how the [council/joint organisation] manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise the [council/joint organisation] of the adequacy and effectiveness of the [council's/joint organisation's] fraud and corruption prevention framework and activities, including whether the [council/joint organisation] has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise the [council/joint organisation]:

- if the [council/joint organisation] is complying with accounting standards and external accountability requirements
- of the appropriateness of the [council's/joint organisation's] accounting policies and disclosures
- of the implications for the [council/joint organisation] of the findings of external audits and performance audits and the [council's/joint organisation's] responses and implementation of recommendations
- whether the [council's/joint organisation's] financial statement preparation procedures and timelines are sound
- the accuracy of the [council's/joint organisation's] annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the [council/joint organisation] to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the [council's/joint organisation's] annual report is consistent with signed financial statements
- if the [council's/joint organisation's] financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the [council/joint organisation] are adequate
- if the [council's/joint organisation's] grants and tied funding policies and procedures are sound.

Governance

Review and advise the [council/joint organisation] regarding its governance framework, including the [council's/joint organisation's]:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge

Improvement

Strategic planning

Review and advise the [council/joint organisation]:

- of the adequacy and effectiveness of the [council's/joint organisation's] integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the [council/joint organisation] is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise the [council/joint organisation]:
 - If the [council/joint organisation] has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the [council/joint organisation] can improve its service delivery and the [council's/joint organisation's] performance of its business and functions generally

Performance data and measurement

Review and advise the [council/joint organisation]:

- if the [council/joint organisation] has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators the [council/joint organisation] uses are effective, and
- of the adequacy of performance data collection and reporting.

Appendix 4:

Example risk management policy

Example risk management policy

Purpose

The purpose of this policy is to express [council's/joint organisation's] commitment to implementing organisation-wide risk management principles, systems and processes that ensure the consistent, efficient and effective assessment of risk in all [council's/joint organisation's] planning, decision-making and operational processes.

Risk management framework

[Council/joint organisation] provides critical services and infrastructure to the residents, ratepayers and visitors to [area]. [Council/joint organisation] also has service agreements and contractual obligations with government and non-government agencies and organisations and has its own strategic goals and objectives that it seeks to achieve on behalf of the [area] community.

It is therefore incumbent on [council/joint organisation] to understand the internal and external risks that may impact the delivery of these services, contracts and strategic objectives and have processes in place to identify, mitigate, manage and monitor those risks to ensure the best outcome for [council's/joint organisation's], staff and the community. It is also our responsibility to ensure the efficient, effective and ethical use of resources and services by ratepayers, residents, staff and visitors.

[Council/joint organisation] has developed a risk management framework consistent with [Australian standard] to assist it to identify, treat, monitor and review all risks to its operations and strategic objectives and apply appropriate internal controls.

[Council/joint organisation] is committed to the principles, framework and process of managing risk as outlined in [Australian standard] and commits to fully integrating risk management within the [council/joint organisation] and applying it to all decision-making, functions, services and activities of the [council/joint organisation] in accordance with our statutory requirements.

Responsibilities

[Council/joint organisation] aims to create a positive risk management culture where risk management is integrated into all everyday activities and managing risks is an integral part of governance, good management practice and decision-making at [council/joint organisation]. It is the responsibility of every staff member and business area to observe and implement this policy and [council's/joint organisation's] risk management framework.

All staff are responsible for identifying and managing risk within their work areas. Key responsibilities include:

- being familiar with, and understanding, the principles of risk management
- complying with all policies, procedures and practices relating to risk management
- alerting management to risks that exist within their area, and
- performing any risk management activities assigned to them as part of their daily role.

Risk management is a core responsibility for all senior staff/management at [council/organisation]. In addition to their responsibilities as staff members, senior staff/management are responsible for:

- ensuring all staff manage their risks within their own work areas. Risks should be anticipated, and reasonable protective measures taken
- encouraging openness and honesty in the reporting and escalation of risks
- ensuring all staff have the appropriate capability to perform their risk management roles
- reporting to the [general manager/executive officer] on the status of risks and controls, and
- identifying and communicating improvements in [council's/joint organisation's] risk management practices to [council's/joint organisation's] risk management function.

[Council's/joint organisation's] risk management function is available to support staff in undertaking their risk management activities.

To ensure [council/joint organisation] is effectively managing its risk and complying with its statutory obligations, [council's/joint organisation's] audit, risk and improvement committee and internal audit function is responsible for reviewing the [council's/joint organisation's]:

- risk management processes and procedures
- risk management strategies for major projects or undertakings
- control environment and insurance arrangements
- business continuity planning arrangements, and
- fraud control plan.

Monitoring and Review

[Council/joint organisation] is committed to continually improving its ability to manage risk. [Council/joint organisation] will review this policy and its risk management framework at least annually to ensure it continues to meet the requirements of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021*, and the [council's/joint organisation's] requirements.

Further information

For further information on [council's/joint organisation's] risk management policy, framework and process, contact [name] on [email address] or by phone [phone number].

[signed – General Manager/Executive officer]

[name]

[date]

[review date]

Appendix 5:

Model internal audit charter

Model internal audit charter for local government

[Council/joint organisation] has established the [name of internal audit function] as a key component of the [council's/joint organisation's] governance and assurance framework, in compliance with the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of the [name of internal audit function] in the [council/joint organisation] and has been approved by the governing body taking into account the advice of the [council's/joint organisation's] audit, risk and improvement committee.

Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the [council's/joint organisation's] operations. It helps the [council/joint organisation] accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.

Internal audit provides an independent and objective review and advisory service to provide advice to the governing body, [general manager/executive officer] and audit, risk and improvement committee about the [council's/joint organisation's] governance processes, risk management and control frameworks and its external accountability obligations. It also assists the [council/joint organisation] to improve its business performance.

Independence

[Council's/joint organisation's] [name of internal audit function] is to be independent of the [council/joint organisation] so it can provide an unbiased assessment of the [council's/joint organisation's] operations and risk and control activities.

[Name of internal audit function] reports functionally to the [council's/joint organisation's] audit, risk and improvement committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the [general manager/executive officer] to facilitate day-to-day operations. Internal audit activities are not subject to direction by the [council/joint organisation] and the [council's/joint organisation's] management has no role in the exercise of the [council's/joint organisation's] internal audit activities.

The audit, risk and improvement committee is responsible for communicating any internal audit issues or information to the governing body. Should the governing body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual [councillors/board members] are not entitled to request or receive information from the committee.

¹ As defined by the International Standards for the Professional Practice of Internal Auditing (2017)

[Detail any delegations made by the general manager/executive officer regarding their internal audit responsibilities].

The [general manager/executive officer] must consult with the chairperson of the [council's/joint organisation's] audit, risk and improvement committee before appointing or making decisions affecting the employment of the [internal audit coordinator].

Where the chairperson of the [council's/joint organisation's] audit, risk and improvement committee has any concerns about the treatment of the [internal audit coordinator], or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The [internal audit coordinator] is to confirm at least annually to the audit, risk and improvement committee the independence of internal audit activities from the [council/joint organisation].

Authority

[Council/joint organisation] authorises the [name of internal audit function] to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the [internal audit coordinator] considers necessary for the [name of the internal audit function] to undertake its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The [internal audit coordinator] and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

All internal audit documentation is to remain the property of [council/joint organisation], including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to the [name of the internal audit function] are not to be made publicly available. The [name of the internal audit function] may only release [council/joint organisation] information to external parties that are assisting the [name of the internal audit function] to undertake its responsibilities with the approval of the [general manager/executive officer], except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Role

The [name of internal audit function] is to support the [council's/joint organisation's] audit, risk and improvement committee to review and provide independent advice to the [council/joint organisation] in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of [council/joint organisation] and monitoring the implementation of corrective actions.

The [name of internal audit function] is to also play an active role in:

- developing and maintaining a culture of accountability and integrity
- facilitating the integration of risk management into day-to-day business activities and processes, and
- promoting a culture of high ethical standards.

[Name of internal audit function] has no direct authority or responsibility for the activities it reviews. [Name of internal audit function] has no responsibility for developing or implementing procedures or

systems and does not prepare records or engage in [council/joint organisation] functions or activities (except in carrying out its own functions).

[Internal audit coordinator]

Option 1: In-house internal audit function

[Council's/joint organisation's] [name of internal audit function] is to be led by a member of [council's/joint organisation's] staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the [council/joint organisation] and the audit, risk and improvement committee. The [internal audit coordinator] must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the [internal audit coordinator] include:

- managing the day-to-day activities of the [name of internal audit function]
- managing the [council's/joint organisation's] internal audit budget
- supporting the operation of the [council's/joint organisation's] audit, risk and improvement committee
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the audit, risk and improvement committee
- monitoring the [council's/joint organisation's] implementation of corrective actions that arise from the findings of audits
- implementing the audit, risk and improvement committee's annual work plan and four-year strategic work plan
- ensuring the [council's/joint organisation's] internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*, and
- contract management and oversight of supplementary external providers (where appropriate).

[Details of any dual responsibilities and independence safeguards]

[Details of any shared arrangements]

Option 2: Outsourced internal audit function

[Council's/joint organisation's] [name of internal audit function] is to be led by a member of [council's/joint organisation's] staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the [council/joint organisation] and the audit, risk and improvement committee. The [internal audit coordinator] must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the [internal audit coordinator] include:

- contract management
- managing the internal audit budget
- ensuring the external provider completes internal audits in line with the audit, risk and improvement committee's annual work plan and four-year strategic work plan
- forwarding audit reports by the external provider to the audit, risk and improvement committee
- acting as a liaison between the external provider and the audit, risk and improvement committee
- monitoring the [council's/joint organisation's] implementation of corrective actions that arise from the findings of audits and reporting progress to the audit, risk and improvement committee, and

- assisting the audit, risk and improvement committee to ensure the [council's/joint organisation's] internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

[Details of any dual responsibilities and independence safeguards]

[Details of any shared arrangements]

[Name of internal audit team]

Option 1: In-house internal audit team

Members of the [name of internal audit function] are responsible to the [internal audit coordinator]. Individuals that perform internal audit activities for [council/joint organisation] must have:

- an appropriate level of understanding of the [council's/joint organisation's] culture, systems and processes
- the skills, knowledge and experience necessary to conduct internal audit activities in the [council/joint organisation]
- effective interpersonal and communication skills to ensure they can engage with [council/joint organisation] staff effectively and collaboratively, and
- honesty, integrity and diligence.

[Details of any dual responsibilities and independence safeguards]

[Details of any shared arrangements]

Option 2: Out-sourced internal audit team

[Council/joint organisation] is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the [internal audit coordinator] is to ensure the external provider:

- does not conduct any audits on specific [council/joint organisation] operations or areas that they have worked on within the last two years
- is not the same provider conducting the [council's/joint organisation's] external audit
- is not the auditor of any contractors of the [council/joint organisation] that may be subject to the internal audit, and
- can satisfy the requirements of the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

The [internal audit coordinator] must consult with the audit, risk and improvement committee and [general manager/executive officer] regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the [council/joint organisation].

[Details of any shared arrangements].

Performing internal audit activities

The work of the [name of internal audit function] is to be thoroughly planned and executed. The [council's/joint organisation's] audit, risk and improvement committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The committee must also develop an annual work plan to guide the work of the internal audit function over the forward year.

All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and [current Australian risk management standard].

The [internal audit coordinator] is to provide the findings and recommendations of internal audits to the audit, risk and improvement committee at the end of each audit. Each report is to include a response from the relevant senior manager.

The [internal audit coordinator] is to establish an ongoing monitoring system to follow up [council's/joint organisation's] progress in implementing corrective actions.

The [general manager/executive officer], in consultation with the audit, risk and improvement committee, is to develop and maintain policies and procedures to guide the operation of the [council's/joint organisation's] [name of internal audit function].

The [internal audit coordinator] is to ensure that the audit, risk and improvement committee is advised at each of the committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

Conduct

Internal audit personnel must comply with the [council's/joint organisation's] code of conduct. Complaints about breaches of [council's/joint organisation's] code of conduct by internal audit personnel are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The [general manager/executive officer] must consult with the [council's/joint organisation's] audit, risk and improvement committee before any disciplinary action is taken against the [internal audit coordinator] in response to a breach of the [council's/joint organisation's] code of conduct.

Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Administrative arrangements

Audit, risk and improvement committee meetings

The [internal audit coordinator] will attend audit, risk and improvement committee meetings as an independent non-voting observer. The [internal audit coordinator] can be excluded from meetings by the committee at any time.

The [internal audit coordinator] must meet separately with the audit, risk and improvement committee at least once per year.

The [internal audit coordinator] can meet with the chairperson of the audit, risk and improvement committee at any time, as necessary, between committee meetings.

External audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.

External audit will have full and free access to all internal audit plans, working papers and reports.

Dispute resolution

[Name of internal audit function] should maintain an effective working relationship with the [council/joint organisation] and the audit, risk and improvement committee and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the [name of internal audit function] and the [council/joint organisation], the dispute is to be resolved by the [general manager/executive officer] and/or the audit, risk and improvement committee. Disputes between the [name of internal audit function] and the audit, risk and improvement committee are to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Review arrangements

The [council's/joint organisation's] audit, risk and improvement committee must review the performance of the internal audit function each year and report its findings to the governing body. A strategic review of the performance of the [name of internal audit function] must be conducted each council term that considers the views of an external party with a strong knowledge of internal audit and reported to the [governing body/board].

This charter is to be reviewed annually by the committee and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Further information

For further information on [council's/joint organisation's] internal audit activities, contact [name] on [email address] or by phone [phone number].

Reviewed by [internal audit coordinator]

[sign and date]

Reviewed by chairperson of the [council's/joint organisation's] audit, risk and improvement committee

[sign and date]

Reviewed by [general manager/executive officer]

[sign and date]

Reviewed by [council/joint organisation] in accordance with a resolution of the governing body

[sign and date]

[resolution reference]

Schedule 1 – internal audit function responsibilities

[Note: each council/joint organisation is to determine the responsibilities of its internal audit function in relation to each matter listed in section 428A of the Local Government Act 1993 and list them in Schedule 1 to the council's/joint organisation's internal audit charter. Suggested responsibilities are provided below and further detailed in core requirement 3 and Appendix 2 of these Guidelines.]

Audit

Internal audit

- Conduct internal audits as directed by the [council's/joint organisation's] audit, risk and improvement committee.
- Implement the [council's/joint organisation's] annual and four-year strategic internal audit work plans.
- Monitor the implementation by the [council/joint organisation] of corrective actions.
- Assist the [council/joint organisation] to develop and maintain a culture of accountability and integrity.
- Facilitate the integration of risk management into day-to-day business activities and processes.
- Promote a culture of high ethical standards.

External audit

- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided.
- Review all external plans and reports in respect of planned or completed audits and monitor the [council's/joint organisation's] implementation of audit recommendations.
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides.

Risk

Risk management

Review and advise:

- if the [council's/joint organisation's] has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the [council's/joint organisation's] risk management framework is adequate and effective for identifying and managing the risks the [council/joint organisation] faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the [council/joint organisation] and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the [council's/joint organisation's] risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations

- if the [council/joint organisation] has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the [council/joint organisation] and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the [council's/joint organisation's] risk management approach impacts on the [council's/joint organisation's] insurance arrangements
- of the effectiveness of the [council's/joint organisation's] management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise:

- whether the [council's/joint organisation's] approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the [council/joint organisation] has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the [council's/joint organisation's] monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise of the adequacy and effectiveness of the [council's/joint organisation's] compliance framework, including:

- if the [council/joint organisation] has appropriately considered legal and compliance risks as part of the [council's/joint organisation's] risk management framework
- how the [council/joint organisation] manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise of the adequacy and effectiveness of the [council's/joint organisation's] fraud and corruption prevention framework and activities, including whether the [council/joint organisation] has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise:

- if the [council/joint organisation] is complying with accounting standards and external accountability requirements
- of the appropriateness of the [council's/joint organisation's] accounting policies and disclosures

- of the implications for the [council/joint organisation] of the findings of external audits and performance audits and the [council's/joint organisation's] responses and implementation of recommendations
- whether the [council's/joint organisation's] financial statement preparation procedures and timelines are sound
- the accuracy of the [council's/joint organisation's] annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the [council/joint organisation] to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the [council's/joint organisation's] report is consistent with signed financial statements
- if the [council's/joint organisation's] financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the [council/joint organisation] are adequate
- if the [council's/joint organisation's] grants and tied funding policies and procedures are sound.

Governance

Review and advise of the adequacy of the [council/joint organisation] governance framework, including the [council's/joint organisation's]:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge.

Improvement

Strategic planning

Review and advise:

- of the adequacy and effectiveness of the [council's/joint organisation's] integrated, planning and reporting (IP&R) processes

- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the [council/joint organisation] is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

Review and advise:

- if the [council/joint organisation] has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
- if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
- how the [council/joint organisation] can improve its service delivery and the [council's/joint organisation's] performance of its business and functions generally

Performance data and measurement

Review and advise:

- if the [council/joint organisation] has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators the [council/joint organisation] uses are effective, and
- of the adequacy of performance data collection and reporting.





Audit Risk and Improvement Committee

TERMS OF REFERENCE

POL023



NARRANDERA SHIRE COUNCIL

Chambers: 141 East Street Narrandera NSW 2700
Email: council@narrandera.nsw.gov.au

Phone: 02 6959 5510
Fax: 02 6959 1884



Committee Name	Audit Risk and Improvement Committee
Committee Type	Advisory by the Local Government Act, 1993 and regulations
Responsible Section	Corporate & Community
Document ID	508055
Date Adopted	13 December 2023
Introduction	Council has established an Audit, Risk and Improvement Committee in compliance with section 428A of the Local Government Act 1993, section (#tbc) of the Local Government (General) Regulation 2021 and the Departmental Chief Executive's Guidelines for risk management and internal audit for local government in NSW. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.
1. Objective	The objective of Council's Audit, Risk and Improvement Committee is to provide independent assurance to Council by monitoring, reviewing and providing advice about the Council governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.
2. Independence	<p>The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.</p> <p>The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The Committee will provide independent advice to the Council that is informed by the Council internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.</p> <p>The Committee must always ensure it maintains a direct reporting line to and from the Council internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.</p>
3. Authority	<p>Council authorises the Committee, for the purposes of exercising its responsibilities, to:</p> <ul style="list-style-type: none"> • access any information it needs from the Council • use any Council resources it needs • have direct and unrestricted access to the General Manager and senior management of the Council • seek the General Manager permission to meet with any other Council staff member or contractor • discuss any matters with the external auditor or other external parties


	<ul style="list-style-type: none"> • request the attendance of any employee at committee meetings, and • obtain external legal or other professional advice in line with Councils' budget and procurement policies. <p>Information and documents pertaining to the committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.</p>								
<p>4. Composition and Tenure</p>	<p>The Committee consists of an independent chair and two independent members who have voting rights and one non-voting councillor, as required under the Guidelines for Risk Management and Internal Audit for Local Government in NSW.</p> <p>The governing body is to appoint the chair and members of the committee. Current committee members are:</p> <table border="0"> <tr> <td>John Batchelor</td> <td>Independent chair (voting)</td> </tr> <tr> <td>Gayle Murphy</td> <td>Independent member (voting)</td> </tr> <tr> <td>Stewart Todd</td> <td>Independent member (voting)</td> </tr> <tr> <td>Cr Cameron Lander</td> <td>Councillor member (non-voting)</td> </tr> </table> <p>All Committee members must meet the independence and eligibility criteria prescribed in the Guidelines for Risk Management and Internal Audit for Local Government in NSW.</p> <p>Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chair of the committee. Members who have served an eight-year term (either as a member or as chair) must have a two-year break from serving on the committee before being appointed again. To preserve the Committee's knowledge of the Council ideally, no more than one member should retire from the Committee because of rotation in any one year.</p> <p>The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.</p> <p>Prior to approving the reappointment or extension of the Chair's or an independent member's term, the governing body is to undertake an assessment of the Chair's or Committee member's performance. Reappointment of the chair or a committee member is also to be subject to that person still meeting the independence and eligibility requirements.</p> <p>Members of the committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Council, the environment in which the Council operates, and the contribution that the Committee makes to the Council. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a Local Government environment. All members should have sufficient understanding of the Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the Council's annual Financial Statements.</p>	John Batchelor	Independent chair (voting)	Gayle Murphy	Independent member (voting)	Stewart Todd	Independent member (voting)	Cr Cameron Lander	Councillor member (non-voting)
John Batchelor	Independent chair (voting)								
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Stewart Todd	Independent member (voting)								
Cr Cameron Lander	Councillor member (non-voting)								

<p>5. Role</p>	<p>As required under section 428A of the Local Government Act 1993 (the Act), the role of the committee is to review and provide independent advice to the Council regarding the following aspects of the council's operations:</p> <ul style="list-style-type: none"> • compliance • risk management • fraud control • financial management • governance • implementation of the strategic plan, delivery program and strategies • service reviews • collection of performance measurement data by the Council, and • internal audit. <p>The Committee must also provide information to the Council for the purpose of improving the Council's performance of its functions.</p> <p>The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this charter.</p> <p>The Committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.</p> <p>The Committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.</p> <p>The Committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the Council rests with the governing body and the General Manager.</p> <p>The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.</p>
<p>6. Responsibilities of Members</p>	<p>6.1 Independent members</p> <p>The Chair and Members of the Committee are expected to understand and observe the requirements of the Guidelines for Risk Management and Internal Audit for Local Government in NSW. Members are also expected to:</p> <ul style="list-style-type: none"> • make themselves available as required to attend and participate in meetings • contribute the time needed to review and understand information provided to it • apply good analytical skills, objectivity and judgement • act in the best interests of the Council • have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry • maintain effective working relationships with the Council • have strong leadership qualities (Chair) • lead effective committee meetings (Chair), and • oversee the Council's internal audit function (Chair).

	<p>6.2 Councillor members</p> <p>To preserve the independence of the committee, the Councillor member of the Committee is a non-voting member. Their role is to:</p> <ul style="list-style-type: none"> • relay to the Committee any concerns the governing body may have regarding the Council and issues being considered by the Committee • provide insights into local issues and the strategic priorities of the Council that would add value to the Committee’s consideration of agenda items • advise the governing body (as necessary) of the work of the Committee and any issues arising from it, and • assist the governing body to review the performance of the Committee. <p>Issues or information the Councillor member raises with or provides to the Committee must relate to the matters listed in Schedule 1 and issues being considered by the Committee.</p> <p>The Council member of the Committee must conduct themselves in a non-partisan and professional manner. The Councillor member of the Committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.</p> <p>If the Councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the chair of the Committee may recommend to the Council that the Councillor member be removed from membership of the Committee. Where the Council does not agree to the committee chair’s recommendation, the Council must give reasons for its decision in writing to the Chair.</p>
	<p>6.3 Conduct</p> <p>Independent Committee members are required to comply with the Council’s Code of Conduct.</p> <p>Complaints alleging breaches of the Council’s Code of Conduct by an independent committee member are to be dealt with in accordance with the Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW. The General Manager must consult with the governing body before taking any disciplinary action against an independent committee member in response to a breach of the Council’s Code of Conduct.</p>
	<p>6.4 Conflicts of Interest</p> <p>Once a year, Committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the committee. Independent Committee members are ‘designated persons’ for the purposes of the Council’s Code of Conduct and must also complete and submit returns of their interests.</p> <p>Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a Committee Member or Observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from Committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately Minuted.</p>

	<p>6.5 Standards</p> <p>Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and current Australian risk management standard, where applicable.</p>
<p>7. Work Plans</p>	<p>The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and the internal audit function. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.</p> <p>The Committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the Committee.</p> <p>The Committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.</p> <p>The Committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the Committee.</p> <p>When considering whether to vary the strategic or annual work plans, the Committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.</p>
<p>8. Assurance Reporting</p>	<p>The Committee must regularly report to the Council to ensure that it is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.</p> <p>The Committee will provide an update to the governing body and the General Manager of its activities and opinions after every committee meeting.</p> <p>The Committee will provide an annual assessment to the governing body and the General Manager on the Committee's work and its opinion on how the Council is performing.</p> <p>The Committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the General Manager.</p> <p>The Committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.</p> <p>Should the governing body require additional information, a request for the information may be made to the Chair by resolution. The Chair is only required to provide the information requested by the Governing Body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the Committee.</p>

<p>9. Administrative Arrangements</p>	<p>9.1 Meetings</p> <p>The Committee will meet at least four times per year, including a special meeting to review the Council's Financial Statements.</p> <p>The Committee can hold additional meetings when significant unexpected issues arise, or if the Chair is asked to hold an additional meeting by a committee member, the General Manager or the Governing Body.</p> <p>Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.</p> <p>A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.</p> <p>The Chair of the Committee will decide the agenda for each Committee meeting. Each Committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the Committee.</p> <p>The General Manager and the Internal Audit Officer should attend Committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each Committee meeting as an independent observer. The Chair can request the Council's Finance Manager, head of Risk Management function, Senior Managers, any Councillors, any employee/contractor of the Council and any subject matter expert to attend Committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.</p> <p>The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.</p> <p>The Committee must meet separately with the Internal Audit Officer and the Council's external auditor at least once each year.</p>
	<p>9.2 Dispute resolution</p> <p>Members of the Committee and the Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.</p> <p>In the event of a disagreement between the committee and the General Manager or other Senior Managers, the dispute is to be resolved by the governing body.</p> <p>Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive in writing.</p>
	<p>9.3 Secretariat</p> <p>The General Manager will nominate a staff member to provide secretariat support to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the Chair at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within two business day of the meeting to each member.</p>

	<p>9.4 Resignation and dismissal of members</p> <p>Where the Chair or a Committee Member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give three months' notice to the Chair and the Governing Body prior to their resignation to allow the Council to ensure a smooth transition to a new Chair or Committee Member.</p> <p>The Governing Body can, by resolution, terminate the appointment of the Chair or an independent Committee member before the expiry of their term where that person has:</p> <ul style="list-style-type: none"> • breached the Council's Code of Conduct • performed unsatisfactorily or not to expectations • declared, or is found to be in, a position of a conflict of interest which is unresolvable • been declared bankrupt or found to be insolvent • experienced an adverse change in business status • been charged with a serious criminal offence • been proven to be in serious breach of their obligations under any legislation, or • experienced an adverse change in capacity or capability. <p>The position of a Councillor member on the Committee can be terminated at any time by the Governing Body by resolution.</p>
	<p>9.5 Review arrangements</p> <p>At least once every council term, the Governing Body must review or arrange for an external review of the effectiveness of the Committee.</p> <p>These Terms of Reference must be reviewed annually by the Committee and once each Council term by the Governing Body. Any substantive changes are to be approved by the Governing Body.</p>
<p>10. Further information</p>	<p>For further information on Council's Audit, Risk and Improvement Committee, contact Government & Engagement Manager on and council@narrandera.nsw.gov.au or by phone 02 69595510.</p>
<p>Reviewed by Chair Audit Risk and Improvement Committee</p>	<p>Signed Chairperson approved Committee Minutes 23/11/2023</p>
<p>Reviewed by Council in accordance with a resolution of the governing body</p>	<p> Signed 15/01/2024 Resolution reference 23/244</p>
<p>Next review date</p>	<p>1 November 2024</p>


Schedule 1	Audit Risk Improvement Committee Responsibilities
Note	Note: Narrandera Shire Council has listed the responsibilities as provided by the NSW Office of Local Government.
A. Audit	<p>A.1 Internal Audit</p> <ul style="list-style-type: none"> • Provide overall strategic oversight of internal audit activities • Act as a forum for communication between the governing body, General Manager, Senior Management, the internal audit function and external audit • Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions • Review and advise the Council: <ul style="list-style-type: none"> ○ on whether the Council is providing the resources necessary to successfully deliver the internal audit function ○ if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework ○ if the Council's Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable ○ of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function ○ if the Council's internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function ○ of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised ○ of the implementation by the Council of these corrective actions ○ on the appointment of the head of the internal audit function and external providers, and ○ if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities
	<p>A.2 External audit</p> <ul style="list-style-type: none"> • Act as a forum for communication between the governing body, General Manager, Senior Management, the internal audit function and external audit • Coordinate as far as is practicable, the work programs of internal audit and external audit • Provide input and feedback on the Financial Statements and performance audit coverage proposed by external audit and provide feedback on the audit services provided • Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations • Provide advice to the Governing Body and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides
B. Risk	<p>B.1 Risk management</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard • whether the Council is providing the resources necessary to successfully implement its Risk Management framework

	<ul style="list-style-type: none"> • whether the Council’s Risk Management Framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities • if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting • of the adequacy of risk reports and documentation, for example, the Council’s Risk Register and Risk profile • whether a sound approach has been followed in developing risk management plans for major projects or undertakings • whether appropriate policies and procedures are in place for the management and exercise of delegations • if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour • if there is a positive risk culture within the Council and strong leadership that supports effective risk management • of the adequacy of staff training and induction in risk management • how the Council’s risk management approach impacts on the Council’s insurance arrangements • of the effectiveness of the Council’s management of its assets, and • of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.
	<p>B.2 Internal controls</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • whether the Council’s approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective • whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated • whether appropriate policies and procedures are in place for the management and exercise of delegations • whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with • if the Council’s monitoring and review of controls is sufficient, and • if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately
	<p>B.3 Compliance</p> <p>Review and advise the Council of the adequacy and effectiveness of the Council compliance framework, including:</p> <ul style="list-style-type: none"> • if the Council has appropriately considered legal and compliance risks as part of the Council’s Risk Management Framework • how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and • whether appropriate processes are in place to assess compliance.

	<p>B.4 Fraud and corruption</p> <p>Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.</p>
	<p>B.5 Financial management</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • if the Council is complying with accounting standards and external accountability requirements • of the appropriateness of the Council's accounting policies and disclosures • of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations • whether the Council's financial statement preparation procedures and timelines are sound • the accuracy of the Council's annual Financial Statements prior to external audit, including: <ul style="list-style-type: none"> ○ management compliance/representations ○ significant accounting and reporting issues ○ the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements ○ appropriate management signoff on the statements • if effective processes are in place to ensure financial information included in the Council's Annual Report is consistent with signed Financial Statements • if the Council's financial management processes are adequate • the adequacy of cash management policies and procedures • if there are adequate controls over financial processes, for example: <ul style="list-style-type: none"> ○ appropriate authorisation and approval of payments and transactions ○ adequate segregation of duties ○ timely reconciliation of accounts and balances ○ review of unusual and high value purchases • if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate • if the Council's grants and tied funding policies and procedures are sound.
	<p>B.6 Governance</p> <p>Review and advise the Council regarding its governance framework, including the Council's:</p> <ul style="list-style-type: none"> • decision-making processes • implementation of governance policies and procedures • reporting lines and accountability • assignment of key roles and responsibilities • committee structure • management oversight responsibilities • human resources and performance management activities • reporting and communication activities • information and communications technology (ICT) governance, and • management and governance of the use of data, information and knowledge

<p>C. Improvement</p>	<p>C.1 Strategic planning</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • of the adequacy and effectiveness of the Council’s integrated, planning and reporting (IP&R) processes • if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and • whether the Council is successfully implementing and achieving its IP&R objectives and strategies.
	<p>C.2 Service reviews and business improvement</p> <ul style="list-style-type: none"> • Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW Government agencies, Commonwealth Government agencies, insurance bodies) • Review and advise the Council: <ul style="list-style-type: none"> ○ If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance ○ if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and ○ how the Council can improve its service delivery and the Council’s performance of its business and functions generally
	<p>C.3 Performance data and measurement</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives • if the performance indicators the Council uses are effective, and • of the adequacy of performance data collection and reporting.

TERMS OF REFERENCE HISTORY

Responsible Officer	Governance and Engagement Manager		
Approved by	General Manager		
Approval Date	13 December 2023		
GM Signature <i>(Authorised staff to insert signature)</i>			
Next Review	1 November 2024		
Version Number	Endorsed by ARIC	Endorsed by Council	Date signed by GM
1 Adopted	08/03/2023	21/02/2023	N/A
2 Reviewed	29/11/2023	13/12/2023	15/01/2024

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Audit Risk and Improvement Committee

INTERNAL AUDIT CHARTER

POL023



NARRANDERA SHIRE COUNCIL

Chambers: 141 East Street Narrandera NSW 2700
Email: council@narrandera.nsw.gov.au

Phone: 02 6959 5510
Fax: 02 6959 1884




Committee Name	Audit Risk and Improvement Committee
Responsible Section	Corporate & Community
Document ID	650868
Date Adopted	21 February 2023
Introduction	Council has established the Internal Audit Officer as a key component of the Council's governance and assurance framework, in compliance with the Departmental Chief Executive's Guidelines for Risk Management and Internal Audit for Local Government in NSW. This Charter provides the framework for the conduct of the Audit, Risk and Improvement Committee in the Council and has been approved by the Governing Body taking into account the advice of the Council's Audit, Risk and Improvement Committee.
1. Purpose of internal audit	<p>Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (as defined by the International Standards for the Professional Practice of Internal Auditing 2017).</p> <p>Internal audit provides an independent and objective review and advisory service to provide advice to the Governing Body, General Manager and Audit, Risk and Improvement Committee about the Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the Council to improve its business performance.</p>
2. Independence	<p>Council's Internal Audit Officer is to be independent of the Council so it can provide an unbiased assessment of the Council's operations and risk and control activities.</p> <p>Internal Audit Officer reports functionally to the Council's Audit, Risk and Improvement Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the General Manager to facilitate day-to-day operations. Internal audit activities are not subject to direction by the Council and the Council's management has no role in the exercise of the Council's internal audit activities.</p> <p>The Audit, Risk and Improvement Committee is responsible for communicating any internal audit issues or information to the Governing Body. Should the Governing Body require additional information, a request for the information may be made to the chair by resolution. The chair is only required to provide the information requested by the Governing Body where the chair is satisfied that it is reasonably necessary for the Governing Body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the committee.</p>

	<p>Delegation provided to the Governance and Engagement Manger as per document referred to as Doc ID 644627 signed by the General Manager 2 December 2022 – tasks of the delegation are included within the Position Description but include the following:</p> <ul style="list-style-type: none"> • Development of ARIC’s four-year Strategic Plan and Annual Work Plan • Prepare ARIC agendas and reports in consultation with the Chairperson, then to Council and the community • Formulate and manage the ARIC budget. • Supervise the secretariate services to ARIC • Contract management and liaison with the outsourced internal audit provider. <p>Monitor corrective actions from audit recommendations. The General Manager must consult with the Chair of the Council’s Audit, Risk and Improvement Committee before appointing or making decisions affecting the employment of the Internal Audit Officer. If the Internal Audit Officer is dismissed, the General Manager must report the reasons for their dismissal to the Governing Body.</p> <p>Where the Chair of the Council’s Audit, Risk and Improvement Committee has any concerns about the treatment of the Internal Audit Officer, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the Governing Body.</p> <p>The Internal Audit Officer is to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities from the Council.</p>
<p>3. Authority</p>	<p>Council authorises the Internal Audit Officer to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Internal Audit Officer considers necessary for the Internal Audit Officer to undertake their responsibilities.</p> <p>All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The Internal Audit Officer and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.</p> <p>All internal audit documentation is to remain the property of Council, including where internal audit services are performed by an external third-party provider.</p> <p>Information and documents pertaining to the Internal Audit Officer are not to be made publicly available. The Internal Audit Officer may only release Council information to external parties that are assisting the Internal Audit Officer to undertake its responsibilities with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.</p>
<p>4. Role</p>	<p>The Internal Audit Officer is to support the Council’s Audit, Risk and Improvement Committee to review and provide independent advice to the Council in accordance with section 428A of the Local Government Act 1993. This includes conducting internal audits of Council and monitoring the implementation of corrective actions.</p> <p>The Internal Audit Officer is to also play an active role in:</p> <ul style="list-style-type: none"> • developing and maintaining a culture of accountability and integrity • facilitating the integration of risk management into day-to-day business activities and processes, and

	<ul style="list-style-type: none"> • promoting a culture of high ethical standards. <p>Internal Audit Officer has no direct authority or responsibility for the activities it reviews. The Internal Audit Officer has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in Council functions or activities (except in carrying out its own functions).</p>
<p>5. Internal Audit Officer</p>	<p>5.1 Outsourced internal audit function</p> <p>Council's Internal Audit Officer is a member of Council's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Council and the Audit, Risk and Improvement Committee. The Internal Audit Officer must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.</p> <p>Responsibilities of the Internal Audit Officer include:</p> <ul style="list-style-type: none"> • contract management • managing the internal audit budget • ensuring the external provider completes internal audits in line with the Audit, Risk and Improvement Committee's annual work plan and four-year strategic work plan • forwarding audit reports by the external provider to the Audit, Risk and Improvement Committee • acting as a liaison between the external provider and the Audit, Risk and Improvement Committee monitoring the Council's implementation of corrective actions that arise from the findings of audits and reporting progress to the Audit, Risk and Improvement Committee, and • monitoring the Council's implementation of corrective actions that arise from findings of audits and reporting progress to the Audit Risk and Improvement Committee. and • assisting the Audit, Risk and Improvement Committee to ensure the Council's internal audit activities comply with the Guidelines for Risk Management and Internal Audit for Local Government in NSW. <p>Details of any dual responsibilities and independence safeguards</p> <ul style="list-style-type: none"> • independence safeguards include the Governance and Engagement Manager not being the responsible officer for Enterprise Risk or Workplace Health and Safety, similarly the Governance and Engagement Manager is not the responsible officer for the preparation of or co-ordinating the external audit of the annual financial statements • dual responsibilities include the task of managing the Integrated Planning and Reporting function of Council, however the authorisation process of these documents provides for independence though the approval of the Director of Corporate and Community Services, the General Manager then adoption by Council • where an area of Council operation is subject to an internal audit, the Governance and Engagement Manager will not participate in the process, either the Director of Corporate Services or alternatively another delegated officer will provide the information and participate in the audit process.

	<p>5.2 Out-sourced internal audit team</p> <p>Council is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the Internal Audit Officer is to ensure the external provider:</p> <ul style="list-style-type: none"> • does not conduct any audits on specific Council operations or areas that they have worked on within the last two years • is not the same provider conducting the Council's external audit • is not the auditor of any contractors of the Council that may be subject to the internal audit, and • can meet the Council's obligations under the Guidelines for risk management and internal audit for local government in NSW. <p>The Internal Audit Officer must consult with the Audit, Risk and Improvement Committee and General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the Council.</p>
<p>6. Performing internal audit activities</p>	<p>The work of the Internal Audit Officer is to be thoroughly planned and executed. The Council's Audit, Risk and Improvement Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and the internal audit function. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.</p> <p>The committee must also develop an annual work plan to guide the work of the internal audit function over the forward year.</p> <p>All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p> <p>The Internal Audit Officer is to provide the findings and recommendations of internal audits to the Audit, Risk and Improvement Committee at the end of each audit. Each report is to include a response from the relevant Senior Manager.</p> <p>The Internal Audit Officer is to establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.</p> <p>The General Manager, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of the Council's Internal Audit Officer.</p> <p>The Internal Audit Officer is to ensure that the Audit, Risk and Improvement Committee is advised at each of the Committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.</p>
<p>7. Conduct</p>	<p>Internal audit personnel must comply with the Council's Code of Conduct. Complaints about breaches of Council's Code of Conduct by internal audit personnel are to be dealt with in accordance with the Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW. The General Manager must consult with the Council's Audit, Risk and Improvement Committee before any disciplinary action is taken against the Internal Audit Officer in response to a breach of the Council's Code of Conduct.</p>

	<p>Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p>
<p>8. Administrative Arrangements</p>	<p>8.1 Audit Risk and Improvement Committee Meetings</p> <p>The Internal Audit Officer will attend Audit, Risk and Improvement Committee meetings as an independent non-voting observer. The Internal Audit Officer can be excluded from meetings by the committee at any time.</p> <p>The Internal Audit Officer must meet separately with the Audit, Risk and Improvement Committee at least once per year.</p> <p>The Internal Audit Officer can meet with the Chair of the Audit, Risk and Improvement Committee at any time, as necessary, between committee meetings.</p>
	<p>8.2 External Audit</p> <p>Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.</p> <p>Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.</p> <p>External audit will have full and free access to all internal audit plans, working papers and reports.</p>
	<p>8.3 Dispute Resolution</p> <p>The Internal Audit Officer should maintain an effective working relationship with the Council and the Audit, Risk and Improvement Committee and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.</p> <p>In the event of a disagreement between the Internal Audit Officer and the Council, the dispute is to be resolved by the General Manager and/or the Audit, Risk and Improvement Committee. Disputes between the Internal Audit Officer and the Audit, Risk and Improvement Committee are to be resolved by the Governing Body.</p> <p>Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive in writing.</p>
	<p>8.4 Review Arrangements</p> <p>The Council's Audit, Risk and Improvement Committee must review the performance of the internal audit function each year and report its findings to the Governing Body. A strategic review of the performance of the Internal Audit Officer must be conducted each Council term that considers the views of an external party with a strong knowledge of internal audit and reported to the Council.</p> <p>This charter is to be reviewed annually by the committee and once each council term by the Governing Body. Any substantive changes are to be approved by the Governing Body.</p>

9. Further information	For further information on Council's Audit, Risk and Improvement Committee, contact Government & Engagement Manager on and council@narrandera.nsw.gov.au or by phone 02 69595510.
Reviewed by Internal Audit Officer	Signed 6 March 2023
Reviewed by Chair Audit Risk and Improvement Committee	Signed 6 March 2023
Reviewed by General Manager	Signed  6 March 2023
Reviewed by Council in accordance with a resolution of the governing body	Council Meeting, 21 February 2023 Resolution reference 23/014
Next review date	21 February 2025

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<p>Schedule 1</p>	<p>Audit Risk Improvement Committee Responsibilities</p>
<p>A. Audit</p>	<p>A.1 Internal Audit</p> <ul style="list-style-type: none"> • Provide overall strategic oversight of internal audit activities • Act as a forum for communication between the governing body, General Manager, Senior Management, the internal audit function and external audit • Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions • Review and advise the Council: <ul style="list-style-type: none"> ○ on whether the Council is providing the resources necessary to successfully deliver the internal audit function ○ if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework ○ if the Council's Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable ○ of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function ○ if the Council's internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function ○ of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised ○ of the implementation by the Council of these corrective actions ○ on the appointment of the head of the internal audit function and external providers, and ○ if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities.
	<p>A.2 External audit</p> <ul style="list-style-type: none"> • Act as a forum for communication between the governing body, General Manager, Senior Management, the internal audit function and external audit • Coordinate as far as is practicable, the work programs of internal audit and external audit • Provide input and feedback on the Financial Statements and performance audit coverage proposed by external audit and provide feedback on the audit services provided • Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations • Provide advice to the Governing Body and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides

<p>B. Risk</p>	<p>B.1 Risk management</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard • whether the Council is providing the resources necessary to successfully implement its Risk Management framework • whether the Council’s Risk Management Framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities • if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting • of the adequacy of risk reports and documentation, for example, the Council’s Risk Register and Risk profile • whether a sound approach has been followed in developing risk management plans for major projects or undertakings • whether appropriate policies and procedures are in place for the management and exercise of delegations • if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour • if there is a positive risk culture within the Council and strong leadership that supports effective risk management • of the adequacy of staff training and induction in risk management • how the Council’s risk management approach impacts on the Council’s insurance arrangements • of the effectiveness of the Council’s management of its assets, and • of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.
	<p>B.2 Internal controls</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • whether the Council’s approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective • whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated • whether appropriate policies and procedures are in place for the management and exercise of delegations • whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with • if the Council’s monitoring and review of controls is sufficient, and • if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

	<p>B.3 Compliance</p> <p>Review and advise the Council of the adequacy and effectiveness of the Council compliance framework, including:</p> <ul style="list-style-type: none"> • if the Council has appropriately considered legal and compliance risks as part of the Council’s Risk Management Framework • how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and • whether appropriate processes are in place to assess compliance.
	<p>B.4 Fraud and corruption</p> <p>Review and advise the Council of the adequacy and effectiveness of the Council’s fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.</p>
	<p>B.5 Financial management</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • if the Council is complying with accounting standards and external accountability requirements • of the appropriateness of the Council’s accounting policies and disclosures • of the implications for the Council of the findings of external audits and performance audits and the Council’s responses and implementation of recommendations • whether the Council’s financial statement preparation procedures and timelines are sound • the accuracy of the Council’s annual Financial Statements prior to external audit, including: <ul style="list-style-type: none"> ○ management compliance/representations ○ significant accounting and reporting issues ○ the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements ○ appropriate management signoff on the statements • if effective processes are in place to ensure financial information included in the Council’s Annual Report is consistent with signed Financial Statements • if the Council’s financial management processes are adequate • the adequacy of cash management policies and procedures • if there are adequate controls over financial processes, for example: <ul style="list-style-type: none"> ○ appropriate authorisation and approval of payments and transactions ○ adequate segregation of duties ○ timely reconciliation of accounts and balances ○ review of unusual and high value purchases • if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate • if the Council’s grants and tied funding policies and procedures are sound.

	<p>B.6 Governance</p> <p>Review and advise the Council regarding its governance framework, including the Council's:</p> <ul style="list-style-type: none"> • decision-making processes • implementation of governance policies and procedures • reporting lines and accountability • assignment of key roles and responsibilities • committee structure • management oversight responsibilities • human resources and performance management activities • reporting and communication activities • information and communications technology (ICT) governance, and • management and governance of the use of data, information and knowledge.
<p>C. Improvement</p>	<p>C.1 Strategic planning</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • of the adequacy and effectiveness of the Council's integrated, planning and reporting (IP&R) processes • if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and • whether the Council is successfully implementing and achieving its IP&R objectives and strategies.
	<p>C.2 Service reviews and business improvement</p> <ul style="list-style-type: none"> • Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW Government agencies, Commonwealth Government agencies, insurance bodies) • Review and advise the Council: <ul style="list-style-type: none"> ○ If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance ○ if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and ○ how the Council can improve its service delivery and the Council's performance of its business and functions generally.
	<p>C.3 Performance data and measurement</p> <p>Review and advise the Council:</p> <ul style="list-style-type: none"> • if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives • if the performance indicators the Council uses are effective, and • of the adequacy of performance data collection and reporting.