



LEETON
SHIRE COUNCIL

SEPARATE ATTACHMENTS FOR

ORDINARY COUNCIL MEETING

22 September 2021

7.00PM

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GENERAL MANAGER'S MATTERS



LEETON
SHIRE COUNCIL

**AUDIT, RISK AND IMPROVEMENT
COMMITTEE**

AGENDA

Thursday 9 September 2021

6.30PM

TO BE HELD BY VIDEOLINK

LEETON SHIRE COUNCIL
Audit, Risk and Improvement Committee - Thursday, 9 September 2021

LEETON SHIRE COUNCIL

AGENDA

AUDIT, RISK AND IMPROVEMENT COMMITTEE

Thursday 9 September 2021

6.30PM

1. PRESENT:
2. APOLOGIES
3. CONFIRMATION OF THE MINUTES

RECOMMENDATION
THAT the Minutes of the Audit, Risk and Improvement Committee held on Monday 3 May 2021, as circulated, be taken as read and CONFIRMED.
4. DECLARATION OF INTEREST
5. OFFICERS REPORTS
 - 5.1. MATTERS ARISING FROM PREVIOUS MINUTES.....2
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OFFICERS REPORTS

ITEM 5.1 MATTERS ARISING FROM PREVIOUS MINUTES

RECORD NUMBER 21/323

RELATED FILE NUMBER EF21/429

AUTHOR/S Executive Manager IPR, Governance and Engagement

APPROVER/S General Manager

SUMMARY/PURPOSE

Matters arising from previous Minutes.

| Meeting Date | Actions | Responsible Officer/s | Due date | Comments/Status |
|---------------------|---|--|-----------------|---|
| 14/02/2019 | Asset Management Plan for rehabilitation of landfill | Waste and Recycling Coordinator/ Asset Management Coordinator | Dec 2019 | The Yanco and Leeton Landfill Closure Plans were adopted at the SMT Compliance Meeting in May 2021 Completed |
| 4/5/2021 | The ARIC requested a further update on the implementation of the Records Management Audit improvement process at the next ARIC Meeting | Records Officer | 9 Sept 2021 | A report has been tabled for the 9 September ARIC meeting Completed |
| 4/5/2021 | The ARIC requested further information on the implementation of the Cyber Security Framework in 6 months time | Manager ICT | 11 Nov 2021 | No action required at this time |
| 4/5/2021 | In relation to the draft budget for 2021, the ARIC: <ul style="list-style-type: none"> expressed concern with the financial position of the general fund recommended a review of the allocation of employee costs between capital and operating expenses requested that Council note that the budgeted transfers to restrictions exceeds \$3.2 million | Manager Finance | May 2021 | The ARIC's views were tabled at the 26 May 2021 Council Meeting. The review of the allocation of employee costs between capital and operating expenses will be undertaken as part of the 2021/22 budget process Completed |

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| 4/5/2021 | In relation to the Internal Audit Program for 2021/22, the ARIC required that: <ul style="list-style-type: none">• an audit of Delivery of Projects and Contract Management be added to the 2021/22 Audit plan• audit scopes be developed for two potential internal audits: an audit of Council's water licenses and an audit of Council's Accounting for the sale of real estate | | 11 Sept 2021 | Audit scopes for the two potential internal audits have been developed for consideration at the ARIC Meeting of 9 September 2021 Completed |
|----------|---|--|--------------|--|

RECOMMENDATION

THAT the updates regarding matters arising from previous meetings contained within this Agenda be received and noted.

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)

Under the Key Priority Area THEME 6 – STRONG LEADERSHIP within Council's adopted Delivery Program/Operational Plan – 20 - A community that is always on the front foot – 20a is to Ensure the aspirations of the community are delivered - Operate an efficient and effective Local Government Administration.

ATTACHMENTS

There are no attachments for this report.

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ITEM 5.2 CHAIRMAN'S REPORT ON ACTION UNDERTAKEN IN RELATION TO THE ACCOUNTING TREATMENT FOR RURAL FIRE SERVICE (RFS) ASSETS

| | |
|----------------------------|--|
| RECORD NUMBER | 21/340 |
| RELATED FILE NUMBER | EF18/46 |
| AUTHOR/S | Chairman Audit, Risk and Improvement Committee |
| APPROVER/S | General Manager |

SUMMARY/PURPOSE

The purpose of this report is to update the Audit, Risk and Improvement Committee (ARIC) on advocacy undertaken in relation to the treatment of RFS Plant and Equipment in Council General Purpose Financial Statements.

RECOMMENDATION

THAT the Chairman's report on actions undertaken in relation to the treatment of Rural Fire Service (RFS) Plant and Equipment in Council General Purpose Financial Statements (GPFS) be received and noted.

REPORT

(a) Background

The Audit Office of NSW (AO) requires all NSW Local Government Councils to bring to account **all** rural fire assets vested in the Council.

Leeton Shire Council, and indeed the vast majority of NSW Councils have determined that they do not control RFS property plant and equipment assets and therefore in accordance with Australian Accounting Standards these RFS assets have **NOT** been brought to account in the annual financial statements. Leeton Shire Council has however brought to account RFS land and buildings that have been vested in Council.

Why does this matter?

By bringing the RFS assets to account Leeton Shire Council annual depreciation expenses would increase significantly and consequently the operating result decreases. By way of example it has been estimated that depreciation expenses attaching to RFS assets in 2019/20 are:

| | |
|-------------------|-----------|
| Plant & Equipment | \$123,000 |
| Land & Buildings | \$800,000 |

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(b) Discussion

| Date | Activity |
|---------------|--|
| 27 May 2021 | Reviewed Audit Office Report on NSW Councils to Parliament |
| 3 June 2021 | Met with Scott Phillips (CEO, Local Government NSW) at the Local Government NSW offices in Sydney to discuss the AO Report to Parliament |
| 7 June 2021 | Letter to Scott Phillips (Attachment 1) |
| 10 June 2021 | Letter to Ken Crawford (Editor of LG "Debits and Credits" newsletter) and attached my letter to Scott Phillips. LG "Debits and Credits" is a local government industry newsletter produced by LG Solutions. LG Solutions and the newsletter support our position |
| 14 June 2021 | Wrote to state political reporters (see Attachment 2). <u>Note</u> : this letter was issued under my name and not Leeton Shire Council |
| 21 June 2021 | Conducted a telephone conversation with Steph Cooke (NSW MP) and explained the issues of concern |
| 22 June 2021 | Wrote a letter to Margaret Crawford (NSW Auditor General) and expressed my disappointment with her report to Parliament (refer attached). This letter (see Attachment 3) contained numerous questions to which I requested answers A copy of this letter was forwarded to Ken Crawford and appeared in the July edition of LG "Debits and Credits" |
| 28 June 2021 | Received a reply from the AO (Attachment 4). <u>Note</u> : Not one of my questions had been addressed Wrote to Ken Crawford and expressed my disappointment with the AO response (Attachment 5). This letter was published in the August edition of LG "Debits and Credits" |
| Early June | Contacted Aletta Boshoff, partner at BDO Australia (BDO) – a leading accounting firm based in Melbourne. Aletta is an accounting standards specialist and Leeton Shire Council requested that she be engaged to provide advice in relation to the appropriate accounting treatment of RFS assets under Australian Accounting Standards The estimated cost for this service was between \$15,000 to \$20,000 |
| Mid June | Jackie Kruger forwarded emails to NSW Councils explaining our position and inviting them to join our campaign and contribute up to \$1,000 each towards the costs At least 28 Councils responded and agreed to contribute |
| 5 August 2021 | Received a draft report from BDO that supported our conclusion that Leeton Shire Council should: <i>...treat the Agreement as a finance lease, in which case the Council should:</i> a) Continue not to recognise in its annual financial statements any firefighting equipment vested in it |

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| | <p>The draft report, however, went even further:</p> <ul style="list-style-type: none"> a) Derecognise all Premises leased to the Commissioner that are currently recognised as property, plant and equipment. b) Recognise a receivable at an amount equal to the net investment in the lease for all of the lease arrangements under the Agreement, and c) Account for any difference between b) and c) in accordance with the applicable requirements of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. <p>This draft report was then forwarded to all Councils that agreed to contribute to our campaign</p> |
| <p>23 August 2021</p> | <p>Leeton Shire Council convened a Zoom meeting with BDO and participating Councils, which was well attended (approximately 30 participants) including:</p> <ul style="list-style-type: none"> • One or two representatives from most contributing Councils, including Leeton's Manager Finance, the General Manager and I • Scott Phillips – CEO, LGNSW • Ken Crawford – LG Solutions • John Stewart – Chairman Mid-Western Council ARIC <p>BDO's initial findings were discussed and analysed but after considering the appropriate treatment of peppercorn leases, journal entries and the question of control / vesting, it was agreed that a revised approach was warranted. BDO proposed to instead mount an argument that focuses on "substance over form"</p> |
| <p>26 August 2021</p> | <p>BDO subsequently retracted their draft report and issued a new DRAFT report (see full extract in Attachment 6) containing the following conclusions:</p> <p><u>Accounting for firefighting equipment</u> <i>The following discussion considers how the Leeton Shire Council would apply a 'substance over form' approach to accounting for firefighting equipment that are subject to its agreement with the Commissioner of the NSW Rural Fire Service.</i></p> <p><u>Firefighting equipment attributed during prior and current periods</u> <i>With respect to firefighting equipment that has been attributed to the Leeton Council in a prior reporting period and that, to date, has not been recognised by the Council in its statement of financial position, the Council should:</i></p> <ul style="list-style-type: none"> a) Continue not to recognise the firefighting equipment vested in it b) Recognise a receivable at an amount equal to the c) net investment in the lease (as defined in Appendix A of AASB 16) for the lease of the firefighting equipment under the Agreement, and d) Account for corresponding 'credit entry' arising from b) as a combination of: <ul style="list-style-type: none"> • a prior period error in accordance with paragraphs 41-49 of AASB 108 in relation to the firefighting equipment attributed during prior periods, and • an income in relation to the firefighting equipment attributed during the current period. <p><i>We do not anticipate that the net investment in the peppercorn lease would be material due to the required \$1 payment per annum.</i></p> |

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| | <p><u>Firefighting equipment attributed during future periods</u> With respect to any firefighting equipment that is attributed to the Leeton Council in future reporting periods and is subject to Rural Fire District Service Agreement, the Council would not process any further journal entries because all firefighting equipment attributed under the Act and the Agreement are already captured in the receivable as outlined above.</p> <p>Accounting for premises</p> <p><u>Premises attributed during prior and current periods</u> Consistent with the approach outlined above in respect to firefighting equipment, Leeton Council would derecognise any land and buildings that are classified as Premises under the Rural Fire District Service Agreement. To this end, for any Premises that were made available to the Commissioner of the NSW Rural Fire Service in a prior reporting period and that are currently subject to the Rural Fire District Service Agreement, the Leeton Council should:</p> <ol style="list-style-type: none"> a. Derecognise the Premises b. Recognise a receivable at an amount equal to the net investment in the lease, and c. Account for the balancing 'debit entry' arising from a) and b) as a combination of: <ul style="list-style-type: none"> • a prior period error in accordance with paragraphs 41-49 of AASB 108 in relation to the premises attributed during prior periods, and • an expense in relation to the premises attributed during the current period. <p><u>Premises attributed during future periods</u> With respect to any premises that is attributed to the Leeton Council in future reporting periods and is subject to Rural Fire District Service Agreement, the Council would not process any further journal entries because all premises attributed under the Act and the Agreement are already captured in the receivable as outlined above.</p> <p>Accounting for rural firefighting equipment and premises in the absence of the Rural Fire District Service Agreement In the event that either or both the Leeton Council or the Commissioner of the NSW Rural Fire Service were to terminate the Rural Fire District Service Agreement, the Leeton Council would need to re-evaluate its accounting for the firefighting equipment vested in it and Premises made available to the Commissioner under the Agreement at that time and in accordance with any replacement arrangements.</p> <p>Most of these changes were subtle but important changes.</p> |
| 27 August 2021 | I emailed some relatively minor suggested corrections to BDO. We are still awaiting the final report which BDO has sent to their general counsel for review before finalising |

Conclusion

The past 12 months have been a most frustrating and concerning experience. Since my first correspondence (30 August 2020) in relation to the accounting for Rural Fire Service assets in Council's financial statements I have continually been "stoned walled" by the Audit Office and have generally been met with unreceptive responses by politicians and news outlets. LGNSW has shown some interest but are yet to champion the cause.

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The Audit Office has displayed disdain for the position taken by most NSW Councils and has repeatedly refused to properly address the issues raised. Basically, the AO position is that **"NSW Treasury, Dept of Planning Industry and Environment and RFS service have told us to do it"** (ie that Councils control RFS assets). This, of course, is totally in breach of the AO charter which demands that the Audit be conducted in an independent manner. The AO has also refused to release technical advice (if any) they have received and, most importantly, they have been unable and or unwilling to reconcile their position (ie that Councils control RFS assets and therefore must account for them) with the Australian Accounting Standards.

The BDO report has focused on the accounting treatment required in accordance with the Accounting Standards and in my opinion indisputably prosecutes the case that all RFS assets should be written out of Council financial statements.

This is the position I have advocated since the beginning and therefore I consider our actions to have been vindicated. I do admit, however, that whilst the end result totally supported the Leeton Shire Council position, the technicalities along the way ebbed and flowed.

Where to now?

- When received, the final report from BDO will be distributed to all Councils that have contributed to our campaign.
- Together, we will determine a consistent and agreed action plan going forward to ensure that all Councils are consistent in their treatments.
- We will endeavour to convene a meeting with BDO, the Audit Office, LGNSW and Leeton Shire Council representatives.
- Leeton Shire Council will adopt the recommendation of the BDO report and continue not to recognise RFS plant and equipment and will write out all RFS premises.

[LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN \(DPOP\)](#)

Under the Key Priority Area Outcome Six: STRONG LEADERSHIP within Council's adopted Delivery Program/Operational Plan – 18 - A community that has politicians who act and listen - 18 c - Develop and maintain strong working relationships at a Federal and State level - Continue advocacy with Federal and Local MPs and government agencies on key issues for the region".

ATTACHMENTS

- 1** [Letter to Scott Phillips - Local Government NSW - from Graham Bradley - RFS Assets - 9 June 2021](#)
 - 2** [Letter to Sydney Morning Herald from Graham Bradley regarding RFS Assets - 14 June 2021](#)
 - 3** [Letter from Graham Bradley to the Auditor General - questions regarding the](#)
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Audit Office Report to Parliament - 22 June 2021

- 4 [u](#) Audit Office Response from Auditor General for NSW to Graham Bradley's letter of 22 June 2021 - 28 July 2021
- 5 [u](#) Letter to Ken Crawford - LG Debits and Credits - from Graham Bradley regarding Audit Office responses - 28 July 2021
- 6 [u](#) Extract of BDO Australia recommendations in relation to the Treatment of RFS assets and premises

EF18/46

7 June 2021

Mr Scott Phillips
Chief Executive
Local Government NSW
GPO Box 7003
SYDNEY NSW 2001



Dear Scott,

Many thanks for taking the time to meet with me last Thursday to discuss important issues in relation to the control of and accounting for Rural Fire Service assets and in particular plant and equipment.

I note your written response and support for my letter to the Auditor General on this matter and our meeting confirmed our mutual desire to ensure that proper probity and accountability is applied to this long unresolved issue. I have also been encouraged by letters of strong support from the Country Mayors Association of NSW and RAMJO.

The Auditor General's report to the NSW Parliament which was delivered on the 27th May, 2021 has elevated the urgency of this matter. The Auditor General in her report stated that factual errors were made in relation to the RFS Red Fleet as follows:

Rural fire fighting equipment

"Twenty seven per cent of unrecorded errors were due to unrecorded rural fire fighting equipment.

In 2017, we recommended that OLG should address the different practices across the Local Government sector in accounting for rural fire fighting equipment.

In 2019-20, 68 councils did not record rural fire fighting equipment worth \$119m in their financial statements.

The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not include these assets. NSW Treasury and the NSW Rural Fire Service have stated that rural fire service fighting equipment is not controlled by the State.

The non recording of rural fire fighting equipment in financial management systems increases the risk that these assets are not properly maintained and managed."

Recommendation

"The Office of Local Government should communicate the State's view that rural fire fighting equipment is controlled by councils in the local government sector, and therefore this equipment should be properly recorded in their financial statements."

2

The Department of Planning, Industry and Environment, which includes OLG, has confirmed that the NSW Rural Fire Service does not control rural fire fighting equipment. It is now the responsibility of the OLG to determine what action will be taken to ensure that \$119 million of assets held by 68 councils are properly recorded and accounted for."

This is of course a most concerning position taken by the Audit Office and must be addressed and debunked by local government.

Firstly, allow me to clearly state our Council's thoughts and opinions on this accounting issue. We are one of the 68 Councils who have carefully examined our obligations and responsibilities in relation to the control of Rural Fire Service plant and equipment and have determined that Council does not control Rural Fire Service plant and equipment. In making this determination we have carefully considered the requirements of the accounting standards and in particular SAC 4 and AASB 116. Our work and findings have been well documented and included in our position paper made available to the Audit Office.

It is my contention that this is a cost shifting exercise by the State Government which has been incorrectly reported by the Audit Office.

I will now address the Auditor General's Local Government Report to Parliament.

"The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not include these assets. NSW Treasury and NSW Rural Fire Service have stated that rural fire fighting equipment is not controlled by the State."

Response 1

It is not up to either the NSW Treasury nor the NSW Rural Fire Service to determine control – both of whom have a vested interest in keeping the Rural Fire assets in Councils financial statements. In accordance with the Code of Accounting Practice it is up to Councils to determine control and it is then up to the NSW Audit Office to assess if Councils have made the correct determination.

Control for the purposes of the financial statements must be determined by the auditor in an independent capacity and in compliance with the requirements of the Australian Accounting Standards, namely SAC 4 and AASB 116. The financial statements clearly state that they have been prepared in accordance with:

- The Local Government Act 1993
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.

Note: No reference is made to the Rural Fire Service Act and in any event the Australian Accounting Standards would prevail.

3

The Audit Office web site states inter alia:

*"The Audit Office conducts financial and performance audits, principally under the Public Finance and Audit Act 1983 and the Local Government Act 1993. The financial audits must provide an **independent opinion** on NSW entities' universities and **council's financial statements. They identify whether their financial statements comply with accounting standards and relevant laws, regulations and government directions.**"*

It is quite obvious why the NSW Government and the NSW Rural Fire Service do not wish to account for these assets in their financial statements. The associated depreciation expense on Rural Fire Service plant and equipment would represent a considerable "hit" to their operating results. Although I have been unable to quantify the financial impact on both the NSW Government and Rural Fire Services financial statements it would not be surprising if asset values were approaching \$200 million with annual depreciation of approx. \$20 million. Given that the Rural Fire Service has adopted this practice for decades the adjustments required to the NSW Government and Rural Fire Service accounts would be massive.

Frankly, in my opinion this is **State Government cost shifting exercise** to the significant detriment of Local Government.

I note that I have attempted to discuss my concerns with local state members of Parliament however my calls have not been returned.

The non recording of rural fire fighting equipment in financial management systems increases the risk that these assets are not properly maintained and managed.

Response 2

Factually incorrect. Under the Agreements it is the Rural Fire Service that has the responsibility to maintain and manage rural fire fighting equipment. Why wasn't the Audit Office cognisant of this arrangement.? To my knowledge the Audit Office has never requested a copy of the Service Agreement and I question what audit evidence (if any) has been obtained by the Audit Office to support this statement.

The Department of Planning, Industry and Environment, which includes OLG, has confirmed that the NSW Rural Fire Service does not control rural fire fighting equipment

Response 3

Refer Response No1. As a practicing local government auditor with approx. 40 years experience and having worked closely with the OLG (formally DLG) during this time I am acutely aware of their position on this matter. Since the introduction of the Local Government Act and Code of Accounting Practice in 1993 I conducted an annual accounting conference up until my retirement in 2016. The OLG attended annually and actively participated in all conferences. The accounting for Rural Fire Service plant and equipment was a regular topic for discussion and the attendant Councils (approx. 25) and the OLG were in agreement that control of these assets rested with the Rural Fire

Service. To my knowledge this is still situation. Is it possible that the OLG position was overturned by higher authorities in the Dept. of Planning, Industry and Environment?.

4

Many questions remain, including but not limited to:

- Has the NSW State Parliament been misled by the Audit Office Report?
- Is this a NSW Government cost shifting exercise?
- Has the Audit Office not acted in accordance with their charter and displayed the independence and expertise necessary to audit local government councils?
- Why has the Audit Office ignored to report the work performed by local government to determine control and their stated position?
- In accordance with Australian Accounting Standards SAC 4 and AASB 116 what was the criteria used by the Audit Office in determining that Councils controlled rural fire service plant and equipment?
- Is the current position of the Audit Office directly influenced by their alleged failure to properly identify and bring to account the plant and equipment assets in the Rural Fire Service financial statements over the past years?

Having to now correct this prior period error would have a massive impact on the Rural Fire Service accounts and make for a very embarrassing conversation with the NSW Government.

- Has the Auditor General's position now become untenable?

Given our above mentioned concerns it is my intention to propose a motion at our next ARIC meeting that Leeton Shire Council terminates the current Zone Rural Fire Service Agreement by giving six months notice in writing and that no new agreement be entered into until such time as District Equipment is clearly identified as being owned and controlled by the NSW Rural Fire Service.

In my discussions with numerous other Councils I believe that my proposed motion will be widely replicated.

I request that my concerns be relayed to the Audit Office and the NSW Government and responses demanded.

Yours faithfully,



Graham Bradley FCA
Independent Chair
Leeton Shire Council Audit Risk and Improvement Committee

14th June, 2021

Alexandra Smith
State Political Editor
Sydney Morning Herald

Dear Alexandra,

I wish to bring to your attention an ongoing disagreement between the NSW Local Government Councils and the NSW Audit Office (supported by NSW Treasury and NSW Rural Fire Service) as to the control of and therefore accounting for the Rural Fire Service Red Fleet.

The NSW Audit Office, RFS and NSW Treasury maintain that the Red Fleet is controlled by Councils however Councils have correctly determined that under the Australian Accounting Standards the Red Fleet is clearly under the control of the RFS.

The issue has now come to a head with the Auditor General's Report on Local Government 2020 tabled in Parliament on 28th May, 2021.

Councils are pushing back and see this as just another cost shifting exercise by the NSW State Government to local Councils. It has the potential to significantly impact the financial results of Councils if they are forced to account for RFS assets that they do not control.

I have detailed below a question I feel needs to be answered and have taken the liberty to elaborate my views. Additionally, I have attached a letter I have prepared and forwarded to LG NSW seeking their continued support together with other relevant documentation.

Question

Does anyone know where Rural Fire Service (RFS) plant and equipment assets worth in the vicinity of approx. hundreds of millions of dollars are? Such assets are not recorded in the RFS financial statements nor are they reported in Local Government (LG) financial statements. All this has happened with the NSW Audit Office (AO) turning a blind eye.

Answer

These assets are somewhere up in the ether, cyber space, who knows!!!!!!

Why

The NSW State government does not want these assets on its financial statements as the massive depreciation expense each year would be a significant hit to the State's bottom line. Consequently, the RFS with the encouragement of NSW Treasury have decided that these assets vest with LG and therefore LG should record the assets and subsequent depreciation expenses. LG in compliance with Australian Accounting Standards have quite rightly determined that they do not control RFS assets and they are therefore not recorded in the individual LG councils financial statements. Therefore they don't appear anywhere!!!!!!!

This situation has been going on for many years but really became evident in 2016 when the AO took over the audits of LG. The penny then dropped and the AO realised that they had made a big error in not bringing RFS plant and equipment assets to account in the RFS financial statements over many many years. Instead of correcting their error they decided to coerce and bully LG into bringing these assets onto LG financial statements. Most LG Councils refused to do so – 68 in fact and this situation still remains.

With this issue rising to prominence in the 2019/20 the AO has attempted a pre-emptive and desperate strike against LG by reporting in its 2020 Report to Parliament on the 28th May, 2021 that LG has incorrectly treated RFS assets. I allege that this report has in fact misled Parliament and appropriate action needs to be taken against the NSW AO, NSW Treasury and RFS.

Please advise me asap if you wish to use this story otherwise I will forward to other media outlets.

Yours faithfully

Graham Bradley FCA
Local Government Auditor (Retired)
Ph: 0418 646652

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EF21/429

22 June 2021

Margaret Crawford
Auditor General
The Audit Office
GPO Box 12
SYDNEY, NSW 2001



Dear Ms Crawford

I write to express my concern and disappointment with your 2020 Report on Local Government to Parliament which was delivered on the 27th May, 2021.

In my opinion your report was in part factually incorrect, evasive, lacked independence and carefully avoided stating the AO opinion regarding the control of Rural Fire Service assets.

Further, your report lacked (what I would call) balance as you did not refer to the extensive work performed and position determined by local government generally (and Councils individually) as enunciated in their position papers that have surely been presented to your staff during their Council audit duties.

The abovementioned factors may arguably have mislead the NSW Parliament.

Your report triggers many questions that demand answers from the NSW Audit Office (AO). I detail them below.

Question 1

Does the NSW AO accept the fact that Local Government financial statements are prepared solely in accordance with:

- The Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder,
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board,
- The Local Government Code of Accounting and Financial Reporting

and that the provisions of the Rural Fire Act 1997 have no standing nor relevance in the preparation of LG Financial Statements ?

2

Question 2

Should the NSW AO have answered NO to Question 1, it appears then as though the NSW AO has relied almost solely on the Rural Fire Service Act stating that rural fire fighting equipment “vests” with Councils.

If so please advise:

- Where is “vesting” defined in the Act ?
- Did the NSW AO in conducting the audits of the RFS merely accept the literal word “vested” in the RFS Act and not conduct further investigation into circumstances surrounding control and who actually controls the RFS assets ?
- What audit work was undertaken to determine control in accordance with Australian Accounting Standards SAC 4 and AASB 116 ?

Question 3

Why has the NSW AO ignored to report in their 2020 Report on Local Government to Parliament the various work performed by local government to determine control and their stated accounting policy positions that Councils do not control RFS assets ?

Question 4

As auditors, the NSW AO must have formed an opinion on who owns/controls the RFS assets based on the information and evidence at hand to them and gathered by them.

The NSW AO 2020 Report on Local Government to Parliament appears to be very carefully worded and for all intents and purposes seems to have avoided stating the NSW AO’s actual opinion on control in relation to the RFS assets.

In particular the report stated:

*“NSW Treasury and the NSW Rural Fire Service **have stated** that rural fire service fighting equipment is not controlled by the State.”*

*“The **Department of Planning, Industry and Environment, which includes OLG has confirmed** that the NSW Rural Fire Service does not control rural fire fighting equipment.”*

*“The Office of Local Government should communicate the **State’s view** that rural fire fighting equipment is controlled by councils in the local government sector, and therefore this equipment should be properly recorded in their financial statements.”*

3

Question 4.1

Is there any reason that the NSW AO 2020 Report on Local Government to Parliament failed to provide the NSW AO's actual own opinion on who controls the RFS assets ?

Instead the NSW AO 2020 Report on Local Government to Parliament seems to be based purely on advice from NSW Treasury, Dept. of Planning, Industry and Environment and the NSW Rural Fire Service all of whom would appear to have a vested interest in keeping RFS assets in the financial statements of Local Government.

Question 4.2

What is the NSW AO's actual own opinion in relation to RFS assets (based on the evidence they obtained in conducting their local government audits and based on the requirements of the Australian Accounting Standards) ?

Does the NSW AO opinion conclude that the RFS assets are controlled by the RFS or by Councils?

Question 4.3

Has the OLG ever advised the NSW AO (or provided any 3rd party independent report to the NSW AO) with a conclusion that rural fire service assets were **NOT** controlled by local government Councils ?

If YES then why was this advice ignored/over turned by the Dept. of Planning, Industry and Environment ?

If YES then why was this advice not conveyed by the NSW AO in their 2020 Report on Local Government to Parliament ?

Question 5

Has the NSW AO ever held discussions (or direct correspondence) with the OLG regarding the control of RFS assets? If so what was the OLG's position and has it changed over the years ?

Question 6

The RFS accounting policy P4.1.6 "Financial Accounting for NSW RFS Assets" (which is available on their web site) specifically excludes from that policy any assets that are vested in a Local Government Authority (Clause 1.4).

As the NSW AO would appreciate, a simple statement to exclude RFS assets vested in a Local Government Authority from their IPP&E accounting policy is not what could be called sufficient and appropriate audit evidence justifying the RFS position of not accounting for assets vested in a Local Government Authority.

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We presume then that the RFS must have another specific accounting policy that deals directly with assets vested in a Local Government Authority and which details their evidence and professional judgements that lead them to conclude that they do not control and therefore do not have to account for RFS assets vested in a Local Government Authority.

We request that the NSW AO provide the RFS's specific accounting policy in relation to "assets vested in local government authorities" which should include their evidence and professional thought process that has made them conclude that they do not control the assets and are therefore not required to account for them in their balance sheet and which the NSW AO must have relied upon in conducting their audits of the Rural Fire Service over numerous years.

Question 7

Is it possible that the current NSW AO RFS asset stance (as conveyed in its 2020 Report on Local Government to Parliament) is directly influenced by its past audit work relating to the RFS where plant and equipment assets "vested" in Local Government Authorities have not been brought to account in the RFS's financial statements ?

Having to now correct this prior period error would have a massive impact on the Rural Fire Service accounts and make for a very embarrassing conversation with the NSW Government and Parliament.

Your immediate response to my concerns would be appreciated.

Yours faithfully,



Graham Bradley FCA
Independent Chair
Leeton Shire Council ARIC



Mr Graham Bradley
Chair, Audit Risk and Improvement Committee
Leeton Shire Council

Contact: Aaron Green
Phone no: 02 9275 7209
Our ref: D2114881

By email only

28 July 2021

Dear Mr Bradley

Report to Parliament on Local Government 2020

Thank you for your letter of 22 June 2021 regarding my Report to Parliament on Local Government 2020.

I have considered the matters raised in your letter and my office has worked closely with key stakeholders including NSW Treasury, the Rural Fire Service, the Office of Local Government and considered representations from the local government sector.

In addition to the framework identified in your letter for preparing local councils' financial statements, local government sector entities have obligations to comply with relevant laws and regulations which are in turn reflected in the financial statements.

One such relevant law is the *Rural Fires Act 1997*. Section 119(2) of the *Rural Fires Act 1997* vests assets to local councils. Under section 63 of that Act, the council has the duty to prevent the occurrence of bush fires on any land, highway, road, street that is vested in or is under the control of the council. The implication of these requirements must be considered by management when preparing financial statements.

In considering this issue, my office received accounting position papers from various councils as well as NSW Treasury and the RFS. We consider the position put forward by the state sector entities is more compelling. The indicators that councils control these assets include:

- the *Rural Fires Act 1997* vests rural fire-fighting equipment to councils
- service agreements govern the way the RFS can use these assets for fire mitigation and safety works in a council area
- as land owners, councils have responsibility for fire mitigation and safety works under the *Rural Fires Act 1997*, and therefore obtain economic benefit from the use of these assets.

I am unable to share the position papers prepared by other entities as that would breach my secrecy obligations in the *Local Government Act 1993* and *Government Sector Audit Act 1983*. This restriction extends to communication and correspondence between the Audit Office and the entities we audit.

The purpose of my reporting to Parliament on this matter was to recognise the views of relevant entities. The response to this matter from the Secretary of the Department of Planning, Industry and Environment clarified the Department's position and stated:

'The Department will communicate to the local government sector the State position that the Rural Fire Service (RFS) should not recognise these assets notwithstanding that councils generally enter into agreements with RFS for the management of this council owned fire fighting equipment.'

Source: Appendix one to [Report on Local Government 2020](#)

As you know, the accounting framework provides for the correction of prior period errors in financial statements. To promote transparency and accountability, I also include reporting on auditee corrections of prior period errors in my reports to Parliament.

I understand you have already spoken to Aaron Green, Assistant Auditor-General for Financial Audit on the topic of accounting for rural fire-fighting equipment. Please feel free to reach out to Aaron on 02 9275 7209 if you have further questions.

Yours sincerely



Margaret Crawford
Auditor-General for New South Wales

28th July, 2021

Mr Ken Crawford
Editor
LG Debits & Credits

ken@lgsolutions.net.au

Hi Ken,

Further to my letter to you dated 26th July, 2021 I confirm that I am now in receipt of a reply from the Audit Office, refer attached.

Unfortunately, the NSW Audit Office has again resorted to their "go to" rhetoric and has deliberately failed to address the questions enunciated in my letter and published in the July edition of LG Debits & Credits.

Although the focus of our discussion must remain firmly on the questions as detailed I would like however to again address some of the issues.

AO

"The NSW Government has confirmed these assets are not controlled by the NSW Rural Fire Service and are not recognised in the financial records of the NSW Government"

Response

The AO report has all the hallmarks of being heavily biased towards the opinion of the State Government at the expense of compliance with the Australian Accounting Standards.

Surely, this calls into question the "Independence" of the audits.

AO

"The purpose of my reporting to Parliament on this matter was to recognise the views of relevant entities"

Response

I would have thought that the NSW Councils were relevant entities yet the AO report is silent on the dissenting views of the 68 Councils that have not recorded RFS assets in accordance with their accounting position papers.

The only views proffered in the NSW AO report on local government were those of the State Depts. namely:

- NSW Treasury
- Dept. of Planning, Industry and Environment (which includes the OLG)
- Rural Fire Service

2

AO

"The Department will communicate to the local government sector the State position that the Rural Fire Service (RFS) should not recognise these assets notwithstanding that councils generally enter into agreements with RFS for the management of this council owned fire fighting equipment"

Response

Why has the above recommendation/direction been made without a proper analysis of Councils dissenting views?

AO

"I am unable to share the position papers prepared by other entities as that would breach my secrecy obligations"

Response

Auditors have to form an opinion based on the evidence they gather and so surely such opinion (especially such a public one on RFS assets) should be able to be articulated and defended in the public domain in such a fashion that any secrecy obligations (if they apply) are not broken.

In summary the NSW AO 2020 report on local government conveyed only one view – being the State Government's view and did so without providing any evidence including compliance with Australian Accounting Standards.

I again call on the Audit Office to respond appropriately to my questions.



Graham Bradley
Chair
Leeton Shire Council ARIC



- The right to receive payments in respect to the fire fighting equipment and premises to the Leeton Council.

Accounting for fire fighting equipment

The following discussion considers how the Leeton Shire Council would apply a 'substance over form' approach to accounting for fire fighting equipment that are subject to its agreement with the Commissioner of the NSW Rural Fire Service.

Fire fighting equipment attributed during prior and current periods

With respect to fire fighting equipment that has been attributed to the Leeton Council in a prior reporting period and that, to date, has not been recognised by the Council in its statement of financial position, the Council should:

- (a) Continue not to recognise the fire fighting equipment vested in it
- (b) Recognise a receivable at an amount equal to the *net investment in the lease* (as defined in Appendix A of AASB 16) for the lease of the fire fighting equipment under the Agreement, and
- (c) Account for corresponding 'credit entry' arising from b) as a combination of:
 - o a prior period error in accordance with paragraphs 41-49 of AASB 108 in relation to the fire fighting equipment attributed during prior periods, and
 - o an income in relation to the fire fighting equipment attributed during the current period.

We do not anticipate that the net investment in the peppercorn lease would be material due to the required \$1 payment per annum.

Fire fighting equipment attributed during future periods

With respect to any fire fighting equipment that is attributed to the Leeton Council in future reporting periods and is subject to Rural Fire District Service Agreement, the Council would not process any further journal entries because all fire fighting equipment attributed under the Act and the Agreement are already captured in the receivable as outlined above.



Accounting for Premises

Premises attributed during prior and current periods

Consistent with the approach outlined above in respect to fire fighting equipment, Leeton Council would derecognise any land and buildings that are classified as Premises under the Rural Fire District Service Agreement. To this end, for any Premises that were made available to the Commissioner of the NSW Rural Fire Service in a prior reporting period and that are currently subject to the Rural Fire District Service Agreement, the Leeton Council should:

- (a) Derecognise the Premises
- (b) Recognise a receivable at an amount equal to the *net investment in the lease*, and
- (d) Account for the balancing 'debit entry' arising from a) and b) as a combination of:
 - o a prior period error in accordance with paragraphs 41-49 of AASB 108 in relation to the premises attributed during prior periods, and
 - o an expense in relation to the premises attributed during the current period.

Premises attributed during future periods

With respect to any premises that is attributed to the Leeton Council in future reporting periods and is subject to Rural Fire District Service Agreement, the Council would not process any further journal entries because all premises attributed under the Act and the Agreement are already captured in the receivable as outlined above.

Accounting for fire fighting equipment and Premises in the absence of the Rural Fire District Service Agreement

In the event that either or both the Leeton Council or the Commissioner of the NSW Rural Fire Service were to terminate the Rural Fire District Service Agreement, the Leeton Council would need to re-evaluate its accounting for the fire fighting equipment vested in it and Premises made available to the Commissioner under the Agreement at that time and in accordance with any replacement arrangements.

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ITEM 5.3 REVIEW OF LEETON SHIRE COUNCIL'S DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

| | |
|----------------------------|-------------------------|
| RECORD NUMBER | 21/324 |
| RELATED FILE NUMBER | EF20/29 |
| AUTHOR/S | Manager Finance |
| APPROVER/S | Group Manager Corporate |

SUMMARY/PURPOSE

This report proposes that the Audit, Risk and Improvement Committee review the Draft Annual Financial Statements of the Leeton Shire Council for the year ending 30 June 2021 prior to being audited.

RECOMMENDATION

THAT the Audit, Risk and Improvement Committee (ARIC) notes the Draft Annual Financial Statements for the 2020/21 Financial Year as presented, with comment to Council if relevant.

REPORT

(a) Background

The Draft Annual Financial Statements (unaudited) are required to be taken to Council so that they can formally refer them to audit in accordance with Section 413 (1) of the *Local Government Act 1993*.

(b) Discussion

The Draft Annual Financial Statements for the 2020/21 Financial Year have now been prepared and are presented to the Audit, Risk and Improvement Committee so that they may review and endorse them prior to Council formally referring the statements to audit on 22 September 2021 in order to receive the auditor's reports.

Draft Financial Statements – Key Points

Introduction

While Council had an *Operating result from continuing operations* of \$2.5m (2020: \$6.4M), the 2020/21 year included grants for capital purposes of \$6.9 (2020: \$3.9M).

Such grants are excluded in calculating the *Net operating result before grants and contributions* thereby providing an overall deficit of -\$4.4M (2020: \$2.5M).

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The key items that contribute to this downward movement of \$6.9M are the Landfill Rehabilitation Provision (\$2.6M); an increase in Depreciation expense (\$1.1M) and a decrease in Roads and Maritime Services (RMS) funding (approx. \$2.0M).

Management is continuing to review the draft Financial Statements, however some commentary on the movements in key items is provided below.

Income statement (page 6 of 109)

Income

- User fees and charges: \$7.75M (2020: \$9.8M) – decrease in RMS funding (approx. \$2.0M)
- Other revenue: \$0.8M (2020: \$1.3M) – decrease in proceeds from sale of water \$0.6M
- Grants for operating purposes \$8.6M (2020: \$6.4M) – increase in Showground and MR539 funding \$2.0M.
- Grants for capital purposes \$6.9M (2020: \$3.9M) – increase attributable to Roxy funding of \$2.7M.

Expenses

- Employee benefits and oncosts \$12.4M (2020: \$11.5M) – increase is only slightly over budget of \$12.2M. The increase in expense of \$800K from 2020 coupled with the increase in capitalised costs means that these costs have increased by \$950K. The main factors contributing to this increase are:
 - the 2.5% award increase
 - the 0.5% outdoor staff allowance
 - the shift of some senior staff from consultant to employee
 - the Organisational restructure
 - an increase of \$150K in non-remuneration costs
- Materials and services \$13.3 (2020: \$11.1M) – increase in Showground and MR 539 \$2.0M
- Borrowing costs \$2.8 (2020: \$0.0M) – increase in Landfill provision. This reflects ten prior years rehabilitation provision expense. Will reduce to around \$350K per annum going forward
- Depreciation expense \$7.2M (2020: \$6.1M) – increase attributable to Leeton Museum and Art Gallery and re-valuation of road and associated assets in 2019/20.

Statement of Financial Position (page 8 of 109)

- Infrastructure, property plant and equipment \$297.8M (2020: \$266.5M) – increase attributable to re-valuation water and sewer assets in 2020/21
- Income received in advance + Contract liabilities – there has been reallocation between these line items due to changes in accounting practices. Contract liabilities includes rates received in advance as well as specific purpose grants which have not yet been spent
- Provisions \$3.3M (2020: \$nil) – recognition of the provision for rehabilitation of the Leeton landfill site for the first time. This provision will continue to accrue until such time as the landfill restoration is commenced.

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Statement of Cashflows (page 10 of 109)

The Statement of Cashflows is still under review but the following items are of note:

Overall cash and equivalents \$46.9M (2020: \$50.2M) – reduction of \$3M due primarily to operating and financing activities.

Operating activities

Receipts

- User fees and charges: \$6.9M (2020: \$8.9M) - decrease in RMS funding (approx. \$2.0M)
- Investment and Interest Revenue \$0.8M (2020: \$1.2M) – reduction due mainly to low interest rates
- Grants and contributions \$15.8M (2020: \$12.3M) – increase due to receipts for capital and operating grants.
- Other \$1.6M (2020: \$1.2M) – relates to such items as Henry V income, insurance claims and water sales.

Payments

- Materials and services \$14.7M (2020: \$10.2M) – this movement relates to major operating projects.

Investing activities

Receipts

- Sale of investment securities: \$5.5M (2020: \$2.0M) – this records the cashing in of investments to either fund expenses or to convert to cash equivalents.

Payments

- Purchase of infrastructure, property plant and equipment \$15.7M (2020: \$12.1M) – increase as a result of the various ongoing capital programs.

Financing activities

Receipts

- Proceeds from borrowings: \$0.0M (2020: \$2.4M) – no borrowings were taken out during the year.

Note C1-6 Infrastructure, property plant and equipment (page 42 of 109)

Renewals versus Depreciation – Renewals is greater than Depreciation which indicates that any Backlog is reducing.

New Assets – Council has acquired \$6M in new IPP&E Assets and as such depreciation will increase.

Write offs – of \$1.4M were made for Pool assets that have now been replaced.

Note D1-1 Results by fund (page 59 of 109)

The Water and Sewer Funds appear to be self-supporting with only the General Fund making a deficit. Once we take the effect of the major items previously identified into account the General Fund is around break even (allowing for \$5–\$6M improved bottom line).

Council needs to consider how it can increase income such as increasing contracted works or a Special Rates Variation or how it can decrease costs through more efficient practices or reducing the value of its assets.

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For Noting – The current practice of Rates Pegging has a built-in efficiency factor and as such the increase does not keep pace with increasing costs. This coupled with cost shifting by State and Commonwealth to Local Government has seen NSW councils under constant and increasing pressure to perform efficiently and seek alternative funding sources.

Note H1-1 Statement of Performance Measures (page 84 and 85 of 109)

Please refer to the commentary in the Financial Statements.

1. Operating Performance Ratio of -13.88.

This reflects the operating deficit excluding Capital income.

2. Own source operating revenue of 59.63.

This ratio reflects how much of Council's revenue is from own source such as Rates versus other sources such as competitive grants. Council's success in securing competitive grants has had the effect of pushing this ratio below the benchmark of 60.

3. Unrestricted Current Ratio – no specific comments.

4. Debt Service Cover Ratio of 1.76.

The requirement to record the landfill rehabilitation expense (all 10 years) as a Borrowing cost in the current year is what pushed this ratio below the benchmark of 2.

5. Rates, annual charges, interest and extra charges outstanding percentage of 2.19%.

Counterintuitively Council has seen a drastic decrease in outstandings since COVID-19. While there was a slight increase since last year this is a historically low result and well under the benchmark of 10%.

6. Cash Expense cover ratio result of 19.81.

This ratio shows the short term viability of the Council and while the 2020/21 operating result has seen a decrease in this measure, Council still has an excellent cover ratio and is well above the benchmark of 3.

Conclusion

While Council is still in a strong financial position it is still apparent that the sustainability of the General operations (not Water or Sewer) needs further consideration in the long term.

Council needs to be very aware of the rising depreciation and provisioning costs and to ensure that future capital works are not only funded as far as construction but also with a view to ongoing maintenance and eventually replacement.

It is difficult to say if the reduction in RMS funding is a one off reduction or an ongoing trend, but Council is in a position to take advantage of any future works from the RMS.

Council will continue to:

- Seek continuous improvement in undertaking day to day operations in an efficient manner.
- Seek additional sources of income for operating purposes.
- Manage and acquire community assets with consideration for whole of life costs.

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Adoption Process

The process for the adoption of the Annual Financial Statements for 2020/21 is as follows:

9 September 2021 – ARIC to review and comment on Draft Statements

10 September 2021 – Draft Statements to be issued to the Auditors for Review

6–17 September 2021 – The 2020/21 Audit is carried out

22 September 2021 – Council to refer statements to audit

26–30 October 2021 – Audit report to be issued

2 November 2021 to 2 December 2021 – Financial Statements available for public viewing and comment.

24 November 2021 – Representative from Crowe to be in attendance to present detailed report regarding the conduct of the audit of the Annual Financial Statements and the Auditor's Reports and will answer any questions in respect of the Audit.

(c) Options

1. Endorse the Draft 2020/21 Annual Financial Statements, with or without comment.
2. Not endorse the Draft 2020/21 Annual Financial Statements, with or without comment.

IMPLICATIONS TO BE ADDRESSED

(a) Financial

Nil

(b) Policy

Audit, Risk and Improvement Charter

(c) Legislative/Statutory

Local Government Amendment (Governance and Planning) Act 2016 No. 38

Part 4A Internal Audit

428A Audit, Risk and Improvement Committee

1. A council must appoint an Audit, Risk and Improvement Committee.
2. The Committee must keep under review 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

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- g. service reviews
 - h. collection of performance measurement data by the council
 - i. any other matters prescribed by the regulations.
3. The Committee is also to provide information to the council for the purpose of improving the council's performance of its functions.

(d) Risk

in having the Audit, Risk and Improvement Committee review these financials, Council has the benefit of insights from suitably qualified individuals to inform their decision making.

CONSULTATION

(a) External

Council's External Auditors

(b) Internal

General Manager

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)

Under the Key Priority Area THEME 6 - "STRONG LEADERSHIP" within Council's adopted Delivery Program/Operational Plan – 20 - A community that is always on the front foot - 20a is to "Ensure the aspirations of the community are delivered - Operate an efficient and effective Local Government Administration."

ATTACHMENTS

- 1 DRAFT Annual Financial Statements 2021 - pre-audit - *Attached separately*

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Audit, Risk and Improvement Committee - Thursday 9 September 2021

**ITEM 5.4 DRAFT GUIDELINES FOR RISK MANAGEMENT AND INTERNAL AUDIT
FRAMEWORK FOR LOCAL COUNCILS IN NSW**

| | |
|----------------------------|---|
| RECORD NUMBER | 21/337 |
| RELATED FILE NUMBER | EF21/429 |
| AUTHOR/S | Executive Manager IPR, Governance and Engagement |
| APPROVER/S | General Manager |

SUMMARY/PURPOSE

The purpose of this report is to present the new draft "Guidelines for Risk Management and Internal Audit for Local Councils in NSW" which were recently released for consultation.

RECOMMENDATION

THAT the Audit, Risk and Improvement Committee reviews the draft "Guidelines for Risk Management and Internal Audit for Local Councils in NSW" and advises whether they wish to make a submission about the document to the Office of Local Government (OLG).

REPORT

(a) Background

In 2016, the NSW Government made it a requirement under the *Local Government Act 1993* (the 'Act') that each council have an Audit, Risk and Improvement Committee (ARIC). In September 2019, the OLG released a discussion paper on the proposed regulatory framework for supporting the operation of these committees, and the establishment of a risk management framework and internal audit function in each council.

Leeton Shire Council submitted a response to the discussion paper on 6 December 2019 (**Attachment 1**). In its submission, Council said that it was fully supportive of robust governance and oversight in local councils, but that there were aspects of the proposed framework that Council did not agree with.

In their submission, Leeton Shire Council said:

- We strongly object to councillors being excluded from membership of the ARIC (preferring to be in line with business practice for A&R Committees) but concur that they should be in the minority on the Committee.
- Given Council's limited resources we do not support a standalone Chief Audit Executive as being affordable or even warranted. We consider that the Audit Executive should be a function rather than a position in Council. We would also

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appreciate the option of sharing a Chief Audit Executive, employed by the Joint Organisation.

- Similarly, we endorse the option of the Joint Organisation's Chief Audit Executive undertaking the internal audit functions for its member councils, where appropriate, but wish to retain the right to contract out Audits where specialist insight is warranted.
- We strongly encourage a focus on improvement planning and positive action, rather than a punitive audit model that seeks to blame.
- We believe that wilful fraud and corruption matters are better dealt with via the Code of Conduct. While it may be through an audit and risk process that such behaviour is discovered, the ARIC should not be put in an investigative or policing role.
- We do not support staff or councillors being appointed to other councils' ARICs. There are potential real and perceived conflicts that should be avoided.
- We support the option of several councils sharing an ARIC Chair. This could assist in addressing the resource challenges (affordability, availability of appropriately skilled people and so on) many rural councils face. Sharing should not be mandated.
- Internal audit programs must be developed to reflect each council's particular needs and priorities, and not be prescribed by the State Government.
- Enterprise Risk Management is supported but should not be considered to be a silver bullet.

(b) Discussion

Councils were advised via Circular (**Attachment 2**) on 24 August 2021 that the OLG has produced draft guidelines to guide the operations of ARICs and to require councils to have a risk management framework and internal audit function to support and inform their operations.

The draft "Guidelines for Risk Management and Internal Audit for Local Councils in NSW" (**Attachment 3**) have been developed based on the feedback received in response to OLG's New "Risk Management and Internal Audit Framework for Local Councils in NSW" discussion paper issued in September 2019.

The OLG has also produced a summary of the changes made to the original internal audit framework proposed in the Discussion Paper of August 2021 (**Appendix 4**).

As expressed in the summary, the key changes pertaining to the ARIC include:

- A new tiered ARIC model for metropolitan, regional and rural/remote councils and joint organisations and county councils with reduced prequalification requirements to better reflect the different needs of councils and their ability to attract ARIC members:
 - enables a mix of prequalified, non-prequalified, independent and councillor members
 - new eligibility criteria for non-prequalified and councillor members
- More flexibility in ARICs' role:
 - ARIC provides limited assurance rather than full assurance – role and reporting terminology changed to reflect this

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- ARIC reviews all matters listed in s428A of the *Local Government Act 1993* over the council term, rather than annually, and focuses on systems/controls in place
- more flexibility for councils to shape ARICs' role depending on council needs
- Clearer links between the ARIC and the governing body to ensure the governing body receives maximum value from ARIC's expertise:
 - workplans developed by ARIC and noted by the governing body
 - new annual and four-yearly assurance meetings between the ARIC and governing body to discuss ARIC opinions, workplans, charter, terms of reference etc
 - councils can appoint a non-voting councillor member to their ARIC (optional)
- Reduced ARIC costs:
 - ARIC member fees at council's discretion
 - reduced external review requirements
- Revised term limits to make it easier to appoint ARIC members:
 - ARIC member terms coincide with council terms
 - longer maximum terms
 - possible exemption from term limits where a tier 1 council can't find new ARIC members
- ARIC members can have more local government experience:
 - some independence requirements reduced
 - new ability to allow local community perspective/knowledge as a criterion for appointment to an ARIC.

In relation to risk, the key changes include:

- A more 'principles-based' approach to remove prescription and assist councils to focus on desired outcomes
- Clarification on how risk management requirements apply to joint organisations and county councils, and the role of internal audit and ARICs in risk management
- New ability for shared arrangements for county councils and joint organisations to reduce costs
- More flexibility in implementation and workforce resourcing:
 - risk management refocused as a 'function' rather than a dedicated position so it can be shared with other council roles and fit into council's existing organisational structure
 - general manager can delegate risk management to any staff member
 - removed need for responsibilities to be included in senior staff contracts
- More accountability by the council to the governing body and ARIC for risk management:
 - ARIC reviews risk management framework each council term – highest risks reviewed as required
 - effectiveness of risk management framework formally discussed with the governing body and ARIC annually and each council term.

The OLG has issued the draft Guidelines for a three month consultation period. Submissions are to be made before close of business on 26 November 2021.

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Implementation timeframes

| Action | Deadline |
|--|-------------|
| Councils must appoint an ARIC | 4 June 2022 |
| Councils must establish their risk management framework and internal audit function – attestation commences 2024 | 2024 |
| Councils must ensure ARIC membership complies with the Guidelines. The timeframe allows councils to transition into the new membership requirements as and when membership of existing ARICs expire – attestation commences 2027 | June 2027 |

(c) Options

The ARIC may choose to make a submission on a range of elements of the draft guidelines. They may also choose not to make a submission.

IMPLICATIONS TO BE ADDRESSED

(a) Financial

The financial implications are dependent on the final framework established for Risk Management and Internal Audit.

(b) Policy

Audit Risk and Improvement Charter

(c) Legislative/Statutory

Local Government Act 1993

(d) Risk

Nil

CONSULTATION

(a) External

Office of Local Government

(b) Internal

Senior Management Team

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)

Under the Key Priority Area THEME 6 – STRONG LEADERSHIP within Council's adopted Delivery Program/Operational Plan – 18 – A community that has politicians who act and listen – 18c is to Ensure strong working relationships at a Federal and State level – Continue advocacy with Federal and Local MP's on Key Issues for the region.

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ATTACHMENTS

- 1** [↓](#) Internal Audit Framework Consultation - LSC Submission to OLG - December 2019
- 2** [↓](#) 21-26 Circular - New DRAFT Risk Management and Internal Audit Framework for Councils and Joint Organisations - August 2021
- 3** [↓](#) DRAFT Guidelines for Risk Management and Internal Audit Framework for Local Councils and Joint Organisations in NSW - August 2021 - for Consultation
- 4** [↓](#) Summary Guide - Changes Made to Original Internal Audit Framework Proposed in Discussion Paper - August 2021

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EF11/43

6 December 2019

Mr Tim Hurst
Deputy Secretary
Local Government Policy and Planning
Locked Bag 3015
NOWRA NSW 2451



Attention: Council Governance Team

Dear Mr Hurst


Re: Internal audit consultation

Please find attached Leeton Shire Council's responses to the proposed new risk management and internal audit framework for local councils in NSW.

While Leeton Shire Council is fully supportive of robust governance and oversight in local councils, there are aspects of the proposed framework that Council does not agree with. The attached summary provides Council's response to each of the Core Requirements proposed, and their sub-elements.

In summary, however, Council's key areas of feedback are:

- We agree that Audit, Risk and Improvement Committee (ARIC) members should be able to undertake the role in a voluntary capacity.
- We strongly object to councillors being excluded from membership of the ARIC (preferring to be in line with business practice for A&R Committees), but concur that they be in the minority on the Committee.
- Given Council's limited resources we do not support a stand alone Chief Audit Executive as being affordable or even warranted. We consider that Audit Executive function should be a function rather than a position in Council. We would also appreciate the option of sharing a Chief Audit Executive, employed by the Joint Organisation.
- Similarly, we endorse the option of the Joint Organisation's Chief Audit Executive undertaking the internal audit functions for its member councils, where appropriate, but wish to retain the right to contract out Audits where specialist insight is warranted.
- We strongly encourage a focus on improvement planning and positive action, rather than a punitive audit model that seeks to blame.
- We believe that wilful fraud and corruption matters are better dealt with via the Code of Conduct. While it may be through an audit and risk process that such

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behaviour is discovered, the ARIC should not be put in an investigative or policing role.

- We do not support staff or councillors being appointed to other councils' ARICs. There are potential real and perceived conflicts that should be avoided.
- We support the option of several councils sharing an ARIC Chair. This could assist in addressing the resource challenges (affordability, availability of appropriately skilled people and so on) many rural councils face. Sharing should not be mandated.
- Internal audit programs must be developed to reflect each council's particular needs and priorities, and not be prescribed by the State Government.
- Enterprise Risk Management is supported, but should not be considered to be a silver bullet.

We appreciate that the State Government is consulting with the local government sector prior to finalising these new requirements, and trust that you will carefully consider ours and our peers' feedback before deciding on the final framework.

We hope that we will also be invited to participate in the forecast review of the effectiveness of the adopted framework in the coming years.

Yours sincerely,


Jackie Kruger
General Manager

LEETON SHIRE COUNCIL RESPONSE TO PROPOSED NEW FRAMEWORK

CORE REQUIREMENT 1:

Appoint an independent Audit, Risk and Improvement Committee

| Element | Council response |
|--|--|
| (a) Each council (including county council/joint organisation) is to have an independent Audit, Risk and Improvement Committee that reviews all the matters prescribed in section 428A of the Local Government Act | Agree |
| (b) The Audit, Risk and Improvement Committee is to operate according to terms of reference, based on a model terms of reference, and approved by the governing body of the council after endorsement by the Committee | Agree in principle. Note elsewhere our comments in relation to resourcing and other practical matters that may be challenging if the model terms of reference impose requirements beyond Council's capacity. |
| (c) The Audit, Risk and Improvement Committee is to comprise of three to five independent members who are prequalified via the NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members | <u>Fees paid:</u> Council strongly endorses the statement that "Members will be able to serve on Audit, Risk and Improvement Committees on a voluntary basis", and would equally strongly oppose any move to mandate the payment of fees to ARIC members. <u>Members:</u> Council opposes the requirement that councillors may not be members of the ARIC. It is common place in the business sector to have company directors represented on their own company's audit and risk committee and the same should apply in local government. Participation by councillors in an ARIC is in fact a significant learning experience given the expertise of independent members (who will be in the majority). We agree councillors should not comprise the majority of the ARIC. <u>Prequalification:</u> Council does not support drawing from a Prequalification Scheme, but does support qualification being vetted / approved by an external party such as the OLG. It is important that Council is able to appoint suitably qualified people who are familiar with the rural/regional context that we operate within. |

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| | Importantly, qualification for sitting councillors should involve (time-limited) certification following completion of an endorsed ARIC course for councillors. |
| (d) Audit, Risk and Improvement Committee members and the Chair are to serve a three to five-year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years | Agree to the principle limiting tenure, but suggest alignment with Council terms. For continuity, half the Committee may be reappointed at each election (with each member serving up to 8 years), and the Chair appointment made within (say) three months of each LG election, with a four-year tenure. |
| (e) The Audit, Risk and Improvement Committee is to meet quarterly, with the ability to hold extra meetings if required. A council's general manager and Chief Audit Executive should attend except where excluded by the Committee | Agree The proposed Guidelines should provide advice about the circumstances in which the Chief Audit Executive and General Manager might be excluded from ARIC meetings. |
| (f) Audit, Risk and Improvement Committee members are to comply with council's Code of Conduct and the conduct requirements of the NSW Government's <i>Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members</i> | Agree (see comments elsewhere in relation to the Prequalification Scheme) |
| (g) Disputes between the general manager and/or the Chief Audit Executive are to be resolved by the Audit, Risk and Improvement Committee. Disputes with the Committee are to be resolved by the governing body of the council | Agreed, where the dispute relates to internal audit and risk management matters. It should also be noted that Chief Audit Executive needs to be a function of a staff member's role and not necessarily a dedicated position in the staff structure. Other disputes or grievances should be dealt with in line with councils' usual disputes and grievances policies. |
| (h) The Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body of the council and be assessed by an external party at least once each council term as part of council's quality assurance and improvement program | <u>Annual assurance report:</u> Agreed – should be twice a year. At budget and at financial year end. <u>Strategic external review:</u> This proposal is NOT supported. It is essentially a review of a review, which adds an unnecessary layer of red tape. The annual report to governing body from the independent body (above) adequately satisfies this assurance requirement. |
| (i) The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and | Agreed |

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| Improvement Committee. Minutes are to be recorded for all committee meetings | |
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CORE REQUIREMENT 2:

Establish a risk management framework consistent with the current Australian risk management standards

| Element | Council response |
|--|--|
| (a) Each council (including county council/joint organisation) is to establish a risk management framework that is consistent with current Australian standards for risk management | Agreed in principle. However, any framework applied should be practical in a local government context, taking into account the particular characteristics (for example: size, remoteness, resource availability). |
| (b) The governing body of the council is to ensure that the council is sufficiently resourced to implement an appropriate and effective risk management framework | Agreed in principle. Please note comments made elsewhere in relation to available resources. Recognition must be given to the difficulty many small, regional and remote councils have in funding, not to mention recruiting, "human resources with appropriate skills and experience". We advocate strongly that the Chief Audit Officer should be able to be a function of a governance position in Council and not a stand-alone role. |
| (c) Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process. This includes deciding council's risk criteria and how risk that falls outside tolerance levels will be treated | Suggest that the proposed Guidelines be accompanied by supporting resources such as best practice examples (from a variety of council sizes), samples and templates. |
| (d) Each council is to fully integrate its risk management framework within all of council's decision-making, operational and integrated planning and reporting processes | We endeavour to do this already but acknowledge that the process needs to mature. |
| (e) Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and to ensure accountability | Our delegations register already achieves this. |
| (f) Each council is to ensure its risk management framework is regularly monitored and reviewed | Agreed |
| (g) The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities | Agreed in principle. |

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| <p>(h) The general manager is to publish in council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements</p> | <p>Agreed in principle.</p> <p>As above, a sample or template demonstrating what is expected from the attestation certificate would be an essential resource for councils. Further, any such attestation needs to be confined to what is practical and not create further unnecessary burden for councils.</p> |
|--|--|

CORE REQUIREMENT 3:

Establish an internal audit function mandated by an Internal Audit Charter

| Element | Council response |
|---|---|
| (a) Each council (including county council/joint organisation) is to establish and internal audit function | Council endorses the option for a shared internal audit function established through the Joint Organisation. We reiterate that the Chief Audit Executive should be a function of a position of Council and not necessarily a stand-alone position. |
| (b) The governing body is to ensure that the council's internal audit function is sufficiently resourced to carry out its work | |
| (c) The governing body of the council is to assign administrative responsibility for internal audit to the general manager and to include this in their employment contract and performance reviews | |
| (d) The Chief Audit Executive is to develop an Internal Audit Charter, based on a model charter, which will guide how internal audit is conducted by the council. The Charter is to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee | |

CORE REQUIREMENT 4:

Appoint internal audit personnel and establish reporting lines

| Element | Council response |
|--|---|
| <p>(a) The general manager is to appoint a Chief Audit Executive to oversee the council's internal audit activities in consultation with the Audit, Risk and Improvement Committee</p> | <p>Strongly object if it is intended that this is a distinct role within a council's structure.</p> <p>If the functions of the role are able to be assigned to a nominated position within a council's existing structure, that is acceptable. For example, the Governance Manager could be assigned that function as part of their role.</p> <p>If it is the Government's intention that this be a stand-alone role, Council would only support such a role being established as a joint function for a number of councils, for example, through the auspice of a Joint Organisation. However, this should be an option and NOT mandated.</p> <p>The title "Chief Audit Executive" may be appropriate if undertaken in a shared arrangement on behalf of a number of councils, but within a single council there is likelihood for confusion with the Chief Executive function. Chief Audit Officer (similar to existing Chief Financial Officer and Chief Operating Officer titles used across the sector) may be more appropriate.</p> |
| <p>(b) The Chief Audit Executive is to report functionally to the Audit, Risk and Improvement Committee and administratively to the general manager and attend all committee meetings</p> | <p>Agreed</p> |
| <p>(c) The general manager is to ensure that, if required, council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel or completely or partially outsource their internal audit function to an external provider</p> | <p>In a shared arrangement, through the Joint Organisation, internal audit resource acquisition and allocation will be a matter for the Joint Organisation.</p> <p>It needs to be recognised that councils should maintain the right to contract audit and/or improvement plans for specific areas to consultants with relevant expertise.</p> |

CORE REQUIREMENT 5:

Develop an agreed internal audit work program

| Element | Council response |
|---|---|
| (a) The Chief Audit Executive is to develop a four-year strategic plan to guide the council's longer term internal audits in consultation with the governing body, general manager and senior managers. The strategic plan is to be approved by the Audit, Risk and Improvement Committee | <p>Agreed on the understanding that Chief Audit Executive is a <u>function</u> and not a <u>position</u> in Council.</p> <p>The four-year plan should align with the four-year Delivery Program of the council, so that estimated resource requirements can be adequately planned for, and one elected body follows the plan to its conclusion.</p> |
| (b) The Chief Audit Executive is to develop an annual risk-based internal audit work plan, based on the strategic plan, to guide council's internal audits each year. The work plan is to be developed in consultation with the governing body, general manager and senior managers and approved by the Audit, Risk and Improvement Committee | <p>Partially Agreed. The Committee should resolve what to pursue – the Chief Audit Executive should make recommendations only.</p> <p>This will allow annual resource allocation to be budgeted for in the annual Operational Plan process.</p> |
| (c) The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed | <p>Agreed, noting that performance is generally reported on agreed actions (be they corrective or improvement actions).</p> <p>Performance measures should indicate progress and performance outcomes, and not just outputs.</p> |

CORE REQUIREMENT 6:

How to perform and report internal audits

| Element | Council response |
|--|--|
| (a) The Chief Audit Executive is to ensure that the council's internal audits are performed in accordance with the IPPF and current Australian risk management standards (where applicable), and approved by the Audit, Risk and Improvement Committee | <p>Agreed in principle.</p> <p>It is important to have a consistent, achievable standard that all councils are required to meet. However, processes that are unduly onerous place enormous burdens on small councils like ours.</p> <p>We advocate a system that builds the capabilities and capacities within councils to make a genuine positive difference, rather than one that benefits a few specialist consultants and makes little difference on the ground.</p> |
| (b) The Chief Audit Executive is to develop policies and procedures to guide the operation of the internal audit function, including the performance of internal audits | <p>Agreed in principle.</p> <p>Such policies and procedures are likely to be broadly the same across the local government sector. Therefore, template documents, or samples of best practice should be included in the resources developed to support the proposed Guidelines.</p> |
| (c) The Chief Audit Executive is to report internal audit findings and recommendations to the Audit, Risk and Improvement Committee. Each finding is to have a recommended remedial action and a response from the relevant senior manager/s | <p>Agreed.</p> <p>However, it may be that some findings identify better practice and do not require a "remedial action", but rather ongoing organisational support to ensure the practice is maintained. The "response from the relevant senior manager" might be to showcase the practice with peer councils.</p> |
| (d) All internal audit documentation is to remain the property of, and can be accessed by, the audited council, including where internal audit services are performed by an external provider. It can also be accessed by the Audit Risk and Improvement Committee, external auditor and governing body of the council (by resolution) | <p>Agreed</p> |

CORE REQUIREMENT 7:

Undertake ongoing monitoring and reporting

| Element | Council response |
|--|--|
| (a) The Audit, Risk and Improvement Committee is to be advised at each quarterly meeting of the internal audits undertaken and progress made implementing corrective actions | Agreed |
| (b) The governing body of the council is to be advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions | Agreed |
| (c) The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair | Agreed – by the Chair through the Mayor. |

CORE REQUIREMENT 8:

Establish a quality assurance and improvement program

| Element | Council response |
|---|---|
| (a) The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each council term | Agreed in principle. The requirement should make clear that this program relates to audit and risk management functions, not the broader quality assurance and improvement activities across councils' business. |
| (b) The general manager is to publish in the council's annual report an annual attestation certificate indicating whether council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function | Assume that this would be collated with the attestation certificate required under 2 (h). See comments already made under 2 (h). |

CORE REQUIREMENT 9:

Councils can establish shared internal audit arrangements

| Element | Council response |
|--|------------------|
| (a) A council can share all or part of its internal audit function with another council/s by either establishing an independent shared arrangement with another council/s of its choosing, or utilising an internal audit function established by a joint or regional organisation of councils that is shared by member councils | Agreed. |
| (b) The core requirements that apply to stand-alone internal audit functions will also apply to shared internal audit functions, with specified exceptions that reflect the unique structure of shared arrangements | |
| (c) The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements | |

| | |
|-----------------------------|--|
| Circular Details | 21-26 / 24 August 2021 / A572161 |
| Previous Circular | 19-20 A new internal audit and risk management framework for local councils in NSW – release of discussion paper |
| Who should read this | General Managers / Councillors / Council governance staff / Audit, risk and improvement committee members and internal audit personnel |
| Contact | Council Governance / (02) 4428 4100 / olg@olg.nsw.gov.au |
| Action required | Response to OLG |

New risk management and internal audit framework for councils and joint organisations

What's new or changing

- Sections 428A and 428B of the *Local Government Act 1993* (the Act) have been commenced. Under section 428A, all councils (including county councils) and joint organisations are required to have an audit risk and improvement committee (ARIC). Councils and joint organisations are permitted under section 428B to enter into arrangements with other councils or joint organisations to share ARICs.
- Under the transitional provisions of the Act, all councils (including county councils) and joint organisations must have either appointed an ARIC or entered into an arrangement with another council or joint organisation to share an ARIC before **4 June 2022**.
- The Office of Local Government (OLG) will be issuing *Guidelines for Risk Management and Internal Audit for Local Councils in NSW* to guide the operations of ARICs and to require councils to have a risk management framework and internal audit function to support and inform their operations.
- OLG has issued a draft of the Guidelines for a three-month consultation period. These have been developed based on the feedback received in response to OLG's *New Risk Management and Internal Audit Framework for Local Councils in NSW* discussion paper issued in September 2019.
- Councils, ARIC members and internal audit practitioners are encouraged to provide comment on the draft Guidelines.

What this will mean for your council

- As of **4 June 2022**, all councils (including county councils) and joint organisations must have an ARIC. As noted above, councils and joint organisations may enter into arrangements to share ARICs.
- Most councils already have an ARIC and will not need to take any further action to comply with section 428A.
- Councils or joint organisations that do not currently have an ARIC should take immediate steps to ensure they have one before 4 June 2022. This may include talking to a neighbouring council or their joint organisation about entering into an arrangement to share an ARIC.

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- Under the proposed Guidelines, councils and joint organisations are not required to establish a risk management framework and internal audit function that complies with the Guidelines until 30 June 2024. However, councils and joint organisations should start taking steps to establish a risk management framework and internal audit function or to transition their existing risk management and internal audit arrangements to comply with the Guidelines.
- The proposed Guidelines set out membership requirements for ARICs. Councils and joint organisations are not required to comply with these requirements until June 2027. This will allow councils and joint organisations five years to transition the membership of their existing ARICs to comply with the new requirements.
- The proposed Guidelines are available on OLG's website at [here](#). Information about the changes to the original model proposed in the discussion paper is also available on OLG's website.
- OLG is seeking the views of councils and others on the proposed Guidelines. Councils should inform their ARICs about the draft Guidelines to give ARIC members the opportunity to provide comment or to have input into the council's comment on the draft Guidelines.
- Submissions may be made to olg@olg.nsw.gov.au, labelled 'Draft risk management and internal audit guidelines' and marked to the attention of OLG's Council Governance Team.
- Submissions should be made before COB 26 November 2021.

Key points

- Under section 428A of the Act, councils and joint organisations must appoint an ARIC to keep under review the following aspects of their operations:
 - compliance,
 - risk management,
 - fraud control,
 - financial management,
 - governance,
 - implementation of the community strategic plan, delivery program and strategies,
 - service reviews,
 - collection of performance measurement data by the council,
 - any other matters prescribed by the regulations.
- ARICs must also provide information to councils and joint organisations for the purpose of improving their performance.

Where to go for further information

- The draft Guidelines and a summary of the changes to the previously proposed model are available on OLG's website at www.olg.nsw.gov.au.
- For further information please contact the Council Governance Team on 02 4428 4100 or by email at olg@olg.nsw.gov.au.



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RISK MANAGEMENT AND INTERNAL AUDIT for local councils in NSW

Guidelines

August 2021



**GUIDELINES FOR RISK MANAGEMENT AND INTERNAL AUDIT FOR LOCAL COUNCILS
IN NSW**
2021

ACCESS TO SERVICES

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Guidelines for Risk Management and Internal Audit for Local Government in NSW

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Background

Background

The *Local Government Act 1993* ('Local Government Act') and the *Local Government (General) Regulation 2005* ('Local Government Regulation') 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 a vital part of the NSW Government's plan to ensure 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.

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 the Local Government Regulation (clause #tbc) which confers on the Secretary of the Department of Planning, Industry and Environment, ('Secretary DPIE'), the power to issue guidelines on the appointment and operation of audit, risk and improvement committees and the implementation by councils, county councils and joint organisations of risk management and internal audit activities.

Councils are required under the Local Government Regulation to comply with these Guidelines when establishing and operating their audit, risk and improvement committees, risk management framework and internal audit functions.

They 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 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" and "member" for "councillor", where appropriate.

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 (clause 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.

The Local Government Regulation (clause #tbc):

- requires each council to appoint an audit, risk and improvement committee comprising of a chair and two or more other persons as specified by these Guidelines
- allows councils and joint organisations to share committees
- requires the Chair and other members of an audit, risk and improvement committee to satisfy the eligibility requirements outlined in these Guidelines
- allows councils to appoint a councillor who satisfies the eligibility requirements outlined in these Guidelines as a non-voting member of its committee
- allows joint organisations to appoint a voting representative of the board who satisfies the eligibility requirements

- outlined in these Guidelines as a non-voting member of its committee
- requires each committee to operate in accordance with terms of reference adopted by the council, based on the approved Model Terms of Reference contained in these Guidelines, and
 - requires councils to provide their committee with direct and unrestricted access to the general manager and other senior staff and any information and resources necessary to undertake its role.

For the purposes of section 428A(2)(i) of the Local Government Act, councils' and joint organisations' audit risk and review committees are to also keep internal audit activities under review.

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

Risk management

The Local Government Regulation (clause #tbc) requires each council and joint organisation to implement a risk management framework that is consistent with the requirements specified in these Guidelines.

A council's general manager or a joint organisation's executive officer has overall responsibility for the implementation of the council's or joint organisations' risk management framework.

A council's audit, risk and improvement committee is to review and provide independent advice to the council on the implementation of its risk management framework under section 428A(2)(b) of the Local Government Act.

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

Internal audit

The Local Government Regulation (clause #tbc):

- requires each council's internal audit activities to operate in accordance with a charter adopted by the council, based on the approved Model Internal Audit Charter contained in these Guidelines
- allows councils and joint organisations to share the performance of internal audit activities
- specifies that a council's audit, risk and improvement committee is to oversee the council's internal audit activities
- requires that a member of the council's staff is appointed to direct internal audit activities – for shared arrangements this can be a staff member of one of the participating councils or joint organisation in the shared arrangement
- requires this member of staff to report only to the audit, risk and improvement committee regarding internal audit activities
- requires the general manager to consider the views of the chair of the council's audit, risk and improvement committee before making any decision affecting the employment of the staff member appointed to direct internal audit activities, and
- requires the audit, risk and improvement committee to review the performance and efficacy of the council's internal audit activities once each council term and report to the governing body of the council on the outcome of its review and make recommendations.

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

Annual attestation

The Local Government Regulation (clause #tbc) requires the general manager of a council or the executive officer of a joint organisation to publish each year an attestation statement in the council's or joint organisation's 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 these Guidelines.

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



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

This is 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.

Compliance status is to be self-assessed by the general manager, in consultation with the audit, risk and improvement committee.

The general manager or executive officer must consider the views of the chair of the council's or joint organisation's audit risk and improvement committee on the content of the attestation statement when preparing the statement.

If the chair disagrees with the content of the attestation statement prepared by the general manager or executive officer, they may prepare their own report and submit this to the Secretary DPIE.

Exemptions

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

In these circumstances, the Local Government Regulation (clause #tbc) confers on the Secretary DPIE the power to exempt the council or joint organisation from compliance with a requirement under these Guidelines where the council or joint organisation requests such an exemption. The Secretary DPIE may grant an exemption where they are satisfied that:

- the council or joint organisation cannot comply with the requirement because of temporary extenuating circumstances or resourcing constraints that will significantly impact the council's or joint organisation's budget
- the council or joint organisation is not able to enter into an agreement with another council to share the performance of internal audit activities, and
- current or proposed alternative arrangements will achieve outcomes equivalent to the requirement under these Guidelines.

Under the Local Government Regulation, a council's application to the Secretary for an exemption must be in the form and contain the information specified in these Guidelines.

Where the Secretary exempts a council from a requirement under these Guidelines, the council must publish the Secretary's approval for the exemption in their annual report.

A council is not prevented from applying for a further exemption when a previous exemption expires.

Accountability

Councils that are non-compliant with statutory requirements and are not granted an exemption may face enforcement action under the Local Government Act.

Monitoring

The NSW Auditor-General may undertake an assurance role in monitoring council's compliance with the core requirements outlined in the Local Government Act, Local Government Regulation and these Guidelines.

This may include conducting sector-wide performance audits, or compliance audits of individual councils and undertaking reviews of the statutory exemptions granted by the Secretary DPIE.

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

- ❖ An audit, risk and improvement committee is independent of the council
- ❖ The committee is equipped with the relevant expertise and has the access to 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 held accountable by the governing body for its performance
- ❖ The council is accountable to the community for complying with statutory requirements 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 (clause #tbc) 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 by 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.

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 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 internal audit function over each council term.



The plan must be developed by the audit, risk and improvement committee in consultation with the governing body, general manager, the head of the internal audit function 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 workplan not to direct the committee's work over the council term.

Content

The nature of the strategic plan will be commensurate with the size and complexity of the council, as well as the council's 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 council terms.

When developing the council's strategic workplan, 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 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 workplan.

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 slippage 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, head of the internal audit function 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, as well as the council, 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 strategic four-yearly workplan and annual work plan to enable the council to gauge the:

- performance of the Committee and internal audit function and the value they are providing 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 reset by the audit, risk and improvement committee for each annual work plan and strategic four-yearly 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 abreast 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 abreast 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 Chair 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 chair 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 lack of 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 Chair by resolution. The Chair may only 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.

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 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 of the council that the committee wishes to impart.

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 enable 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, 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 via 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 via 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, chair 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.



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 their strategic assessment to the governing body, the audit, risk and improvement committee must provide a copy of its report to the general manager to enable 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, 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-yearly strategic 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
- the Office of Local Government's determination of which tier the council is assigned to for the next council term for the purpose of structuring their committee.

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 there is no ambiguity between the council and the audit, risk and improvement committee, and that the council can measure the committee's performance.

The Local Government Regulation (clause #tbc) requires a council's audit, risk and improvement committee to operate according to terms of reference consistent with the approved Model Terms of Reference provided at Appendix 3.



The audit, risk and improvement committee's terms of reference can include additional provisions that are not inconsistent with the approved Model Terms of Reference or other requirements.

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.

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 its own 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 general manager 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.

Size and composition

Each council, county council and joint organisation has been categorised as a tier 1 (lowest), tier 2 (middle) or tier 3 (highest) council for the purposes of determining the size and composition of their audit risk and improvement committee.

These categories are detailed in **Appendix 4**.

This categorisation is based on:

- the population, population density and annual population growth or the local government area
- the proximity of the local government area to an urban or regional centre
- the council's financial status (including operating revenue and expenses)
- the grouping of the council with other similar councils according to the *Your Council* website
- the remuneration categories determined by the Local Government Remuneration Tribunal, and
- an understanding by the Office of Local Government of the council's overall performance and risk profile.

The Local Government Regulation (clause #tbc) requires each council to appoint an audit, risk and improvement committee that has three or more members according to the council's categorisation under these Guidelines as a tier 1, tier 2 or tier 3 council.



This is to ensure that the requirements of a council's audit, risk and improvement committee are appropriate for the council's size, risk profile, operational complexity, resources, and its ability to attract suitably qualified committee members.

While there are a number of significant differences in the size and composition of audit, risk and improvement committees established by councils under each tier, councils and joint organisations in all tiers must comply with the following requirements:

- the chair of the audit, risk and improvement committee must:
 - meet the independence requirements for committee members, and
 - be prequalified as a chair under the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members* ('prequalification scheme') (unless exemption applies)
- all other voting members must meet the independence requirements for committee members (see below)
- the Local Government Regulation (clause #tbc) allows each committee to have an optional non-voting councillor member that meets the committee's eligibility criteria for councillor members (see below), and
- 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.

The minimum requirements for the composition of audit risk and improvement committees in each tier are set out below. It should be noted that these are the minimum requirements.

Councils can establish larger committees and include more prequalified committee members than required should they choose to do so.

Tier review

The tier each council has been placed in will be reviewed by the Office of Local Government each council term.

Any changes must be considered by councils as part of their four-yearly review of the audit, risk and improvement committee. Where a council is re-categorised by the Office of Local Government to a higher or lower tier, the council will need to review the structure and composition of its audit, risk and improvement committee to comply with the requirements of the tier it has been placed in.

The governing body of a council can determine via resolution to either:

- comply immediately – i.e. vacate all the redundant membership positions and appoint new members that comply with the new requirements at the same time, or
- comply later - stagger compliance by allowing existing members to complete their current terms and ensure any members appointed thereafter comply with the new requirement.

Where compliance is staggered, the council can request an exemption from the Secretary DPIE from complying with the new requirement in relation to the committee's composition as part of the attestation process.

Any exemption granted will apply for two reporting periods (i.e. two years).

Councils that are categorised in a higher tier may maintain their existing arrangements where they are reviewed by the Office of Local Government and placed in a lower tier should they choose to do so.

General purpose councils

Tier 1 councils

All councils that are categorised as a tier 1 council are required at a minimum to have an audit, risk and improvement committee that has:

- 3 independent voting members comprising:
 - 1 chair prequalified under the NSW Government's prequalification scheme
 - 2 independent persons that meet the eligibility criteria for non-prequalified committee members (see below), and
- (optional) 1 non-voting councillor that meets the eligibility criteria for councillor members (see below).

Exemptions

It is recognised that some small councils located in remote local government areas may find it difficult to attract and retain a

prequalified chair for their audit, risk and improvement committee.

Whilst prequalification is preferred, where a tier 1 council is unable to appoint a prequalified chair, the council can apply to the Secretary DPIE for an exemption from this requirement.

The council's application for an exemption must:

- be in writing
- outline the efforts the council has made to appoint a prequalified chair, and
- outline the reasons why the council has been unsuccessful.

The council must also demonstrate to the Secretary that any alternative chair recommended for appointment meets the following eligibility criteria:

- strong leadership qualities
- the ability to promote effective working relationships among audit, risk and improvement committee members and with the council's internal audit function and external auditor
- the ability to communicate complex and sensitive issues in a tactful manner to the governing body, general manager and council staff
- an understanding of the duties and responsibilities of the position
- a sound understanding of the council and local government
- functional knowledge in areas such as:
 - financial management and reporting
 - accounting
 - governance (including planning, reporting and oversight)
 - internal and external audit
 - performance management
 - human resources management
 - risk management
 - internal control frameworks
- they can lead effective committee meetings, and
- they have appropriate qualifications or membership to a certifying body (desirable).

Where a council is granted an exemption from this requirement by the Secretary, the exemption will apply for the duration of the chair's term.

Exemptions will only be granted in exceptional circumstances.

The Secretary may consult with the administrator of prequalification scheme when making its exemption determination.

Tier 2 councils

All councils that are categorised as a tier 2 council are required at a minimum to have an audit, risk and improvement committee that has:

- 3 voting members comprising:
 - 1 independent chair prequalified under the NSW Government's prequalification scheme
 - 1 independent member prequalified under the NSW Government's prequalification scheme
 - 1 independent person that meets the eligibility criteria for non-prequalified committee members (see below), and
- (optional) 1 non-voting councillor that meets the eligibility criteria for councillor members (see below).

Tier 3 councils

All councils categorised as a tier 3 council are required to have an audit, risk and improvement committee that has:

- 3-5 voting members comprising:
 - 1 independent chair prequalified under the NSW Government's prequalification scheme
 - A minimum of 2 independent members prequalified under the NSW Government's prequalification scheme, and
- (optional) 1 non-voting councillor that meets the eligibility criteria for councillor members (see below).

The audit, risk and improvement committee appointed by Tier 3 councils should be large enough to represent a balance of views and

experience, but also small enough to operate effectively.

The governing body is to determine the exact size of the audit, risk and improvement committee (3-5 members) in consultation with the chair 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

Given their lower risk profile, resource base and operational complexity, county councils are categorised as either tier 1 or tier 2 councils for the purpose of establishing their audit, risk and improvement committee.

Whilst a tier 1 county council can establish an audit, risk and improvement committee for its own exclusive use, for administrative and cost efficiency, it is recommended that tier 1 county councils utilise the committee of a member council/s under an independent shared arrangement (see below).

Joint organisations

Given their lower risk profile, resource base and operational complexity, joint organisations are categorised as tier 1 councils for the purpose of establishing an audit, risk and improvement committee.

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

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, joint organisations must only enter into an independent shared arrangement with a member council/s.

Shared committees

Under the Local Government Act (section 428B) and Local Government Regulation (clause #tbc) councils can share an audit, risk and improvement committee. Council 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, or
- for joint organisation - share their committee with a member council.

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 are in different tiers but share their internal audit function can, but are not required to, also share their committee
- where a committee is shared by councils that are in different tiers, the requirements for the higher tier will apply to all participating councils (including joint organisations and county councils)
- 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 chair and independent 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 chair and independent members of the committee by resolution on behalf of member councils under delegation from the member councils.

Independence requirements

All audit, risk and improvement committee voting members 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 chair and any voting member appointed to the council's audit, risk and improvement committee meets the following independence criteria.



The independent voting committee member cannot:

- currently be a councillor of any NSW council
- be a non-voting representative of the board of a 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 a 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.

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 chair and members of the audit, risk and improvement committee.

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

Eligibility requirements

The persons appointed as a chair 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 is able to 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.

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



Prequalified members

In addition to meeting the independence requirements listed above, prequalified audit, risk and improvement committee voting members must be sourced from the NSW Government's prequalification scheme.

Individuals that have been prequalified under the scheme have been assessed by an independent expert panel convened by the NSW Government as having the skills, knowledge and experience to perform the role as a chair or member of a council's audit, risk and improvement committee.

A person prequalified under the scheme as a 'committee member' can only be appointed as a member of an audit, risk and improvement committee – they cannot be appointed as the chair.

Similarly, only a person pre-qualified as a 'chair' can be appointed as the chair of an audit, risk and improvement committee. To preserve their independence, and as a condition of the prequalification scheme, prequalified members can be appointed to up to (#tbc) separate audit, risk and improvement committees in the NSW public sector and the NSW local government sector.

Non-prequalified members

In addition to meeting the independence requirements listed above, non-prequalified audit, risk and improvement committee voting members must satisfy the following eligibility criteria to be appointed as a committee member.

They must:

- have the qualities and personal attributes needed to serve the council effectively in their role as a committee member
- have a functional knowledge in areas that would provide a valuable contribution to the committee and council such as:
 - local government
 - internal audit and external audit
 - risk management
 - governance
 - performance management
 - financial management and reporting
 - accounting
 - human resources management
 - internal control frameworks
 - fraud and corruption prevention
 - IT/cyber security
 - the local community, or
 - another relevant subject matter, and
- undertake any training on the operation of audit, risk and improvement committees recommended by the chair based on their assessment of the skills, knowledge and experience of the committee member.

A member of an audit, risk and improvement committee must also demonstrate the following personal qualities and attributes:

- a commitment to the independence of their role
- integrity
- a capacity to dedicate sufficient time and energy
- financial literacy, including an ability to read or understand basic financial statements, ask pertinent questions about them, and interpret and evaluate answers
- an ability to give direct and honest opinions and offer different perspectives and constructive suggestions, and
- inquisitiveness and independent judgment.

Councils must undertake a criminal record and financial status (bankruptcy) check of an independent non-prequalified audit, risk and improvement committee member before their appointment.

Councillor members

Non-voting councillor members must satisfy the following eligibility criteria to be appointed as an audit, risk and improvement committee member. They must:

- be financially literate
- have a good understanding of one or more of the following that would provide a valuable contribution to the committee:
 - internal audit and external audit
 - risk management
 - governance
 - performance management
 - financial management and reporting
 - accounting
 - human resources management
 - internal control frameworks
 - fraud and corruption prevention
 - IT/cyber security
 - the local community, or
 - another relevant subject matter, and
- undertake any training on the operation of audit, risk and improvement committees recommended by the chair based on their assessment of the skills, knowledge and experience of the committee member.

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

Appointment

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

The governing body should first appoint the chair 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

governing body of the council is required to ensure that the committee has the appropriate mix of skills, knowledge and experience 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 individual 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 chair, if this is ever required.

Letter of appointment

The appointment of chairs 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 chair 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 chair (where appropriate) will induct a new chair.

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 are to ensure that chairs and members serve the following time-limited terms to facilitate a rotation of knowledge and perspectives.



The initial term of membership on an audit, risk and improvement committee is four-years (one council term).

Audit, risk and improvement committee members can be reappointed for a further term but the total period of continuous membership on the committee cannot exceed eight years (two council terms). This includes any term as chair of the committee.

Individuals who have served an eight-year term (either as a member or chair) must have a two-year break from serving on the audit, risk and improvement committee before being appointed 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 tier 1 council is unable to replace the chair 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 Secretary DPIE to extend their term or to reappoint the chair or committee member for a further term.

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.

Chair

To ensure that the committee maintains a fresh approach, the initial term of a chair of an audit, risk and improvement committee on any one audit, risk and improvement committee is four-years (one council term).

The chair can be reappointed as chair for a further term but the total period served by a chair cannot exceed eight years (two council terms).

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

This includes advising the incoming chair 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 chair or an independent member's term, the governing body of the council must undertake an assessment of the chair'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 chair (in the case of the reappointment or extension of the term of a committee member other than the chair), the general manager and any councillor member of the committee. The reappointment of members is also to be subject to the individual still meeting independence and eligibility requirements.

Fees

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

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

Councils should consider the fees payable under the prequalification scheme when determining the fees paid to prequalified chairs and members.

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 chairs and voting members

Roles of committee members

Chair

The position of the chair 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 chair 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 chair of the committee, and vice versa.

To be successful in their role, a chair 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 councillor members of audit, risk and improvement committees engage in such conduct or in any other conduct that may bring the committee and its work into disrepute, the chair may recommend to the council, that the councillor member be removed from membership of the committee.

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

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 significant source of advice and information about the council and its operations.

Chairs 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 and four-yearly workplans that will guide the committee's and internal audit function's work.

The chair 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.

Meetings

The audit, risk and improvement must meet at least quarterly over the course of each year.

The chair 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.

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 chair 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 chair 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

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

Where the vote is tied, the chair is to have the casting vote.

Agenda

Forward agenda

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

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

The chair of the audit, risk and improvement committee is to decide an appropriate timescale 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 head of the internal audit function 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 or conclusion from the discussions, including any recommendations, action points and/or allocation of tasks to relevant people
- be approved by the chair before circulation
- be provided to committee members, the governing body of the council, the general manager, the head of the internal audit function and external auditor
- be provided soon after the meeting date to ensure relevant individuals 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 chair.

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 sensitive nature of 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 general manager and the head of the internal audit function are to 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 chair of the audit, risk and improvement committee can request the following people to attend a committee meeting or to meet with the committee in order 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, and/or
- any external independent expert or external party whose advice is needed (subject to confidentiality considerations).

These individuals must attend meetings where requested and, 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 chair 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 head of the internal audit function and/or

external auditor without the general manager present. At least one private meeting must occur annually.

- ensuring new members receive appropriate induction, and
- managing expenditures relating to the committee.

Confidentiality

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

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

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.

Secretariat

The general manager of a council is to appoint a council employee/s to provide secretariat support to the audit, risk and improvement committee.

The main functions of this role are:

- liaising with the chair 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 chair in arranging meetings and council site visits
- supporting the chair to prepare reports for the council
- arranging appropriate meeting facilities and equipment
- keeping members abreast 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

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 fulfil its role, the chair 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 chair 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 council, the governing body and the chair 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 statutory or other requirements are to be referred to the Secretary DPIE in writing.

Conduct

Audit, risk and improvement committee members are to be held to the same ethical and behavioural standards as other officials of

the council 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 (a well as any council officials attending as observers) 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 chairs and members of audit risk and improvement committees as 'designated persons' for the purposes of the council's code of conduct and require them to complete and submit returns of their 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 and resolving any code of conduct complaints made against audit, risk and improvement committee members.

However, to safeguard the independence of audit, risk and improvement committee members, the general manager must consult with the governing body of the council prior to taking disciplinary action against Committee members under the Procedures.

Prequalified audit, risk and improvement committee members are also required to comply with the code of conduct governing the prequalification scheme.

Any proven breaches of the council's code of conduct should be reported by the council to the administrator of the prequalification scheme so that action can also be taken under that scheme, where appropriate.

Insurance

It is at each council's discretion whether professional indemnity and public liability insurance is required for chairs and members of audit, risk and improvement committee members.

In some cases, the chair 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 chair 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 is absent but required, the chair or member can obtain their own insurance, or the council can consider obtaining it on their behalf.

Learning and development

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

Audit, risk and improvement chairs 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.

Review of Committee performance

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

This will ensure that the audit, risk and improvement committee is providing a valuable contribution to the council and enable 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 risk 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 chair, including whether the chair 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 factors 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 and whether the council should be assigned to a different tier under these guidelines.

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

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

The governing body of council is also able to request the chair of the Committee to address the council and answer any questions about the operation of the committee.

The chair 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.

The Local Government Regulation (clause #tbc) requires the general manager to attest each year in the council's annual report whether the council has complied with the following requirements in relation to its audit, risk and improvement committee, as detailed in these Guidelines:

- council's audit, risk and improvement committee is independent of the council and has three or more members according to the council's prescribed category as a tier 1, tier 2 or tier 3 council

- the chair and all members of the committee meet the eligibility and independence criteria required of their position, and have been appointed in accordance with prescribed membership term limits
- council's audit, risk and improvement committee operates according to terms of reference approved by the governing body of the council that are consistent with the approved Model Terms of Reference contained in these Guidelines
- council's audit, risk and improvement committee operates according to annual and four-yearly strategic plans endorsed by the governing body of the council
- council's audit, risk and improvement committee provides an annual assessment to the governing body each year, and a strategic assessment of all the matters listed in section 428A of the Local Government Act to the governing body each council term
- the council provides the committee with direct and unrestricted access to the general manager, senior management, council information and council resources so it can fulfil its responsibilities, and
- at least once each council term the governing body of the council reviews the effectiveness of the audit, risk and improvement committee.

Further information about annual attestation requirements is also detailed in the statutory framework section of these Guidelines.

Resignation of committee members

Where the Chair 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 chair (in the case of a committee member) and the governing body (in the case of the chair) prior to their resignation to enable the council to ensure a smooth transition to a new committee member.

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 Chair to discuss their reason for leaving and to provide feedback on their experience serving on the committee as well as any other issues.

Resigning chairs 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 via resolution the engagement of the chair or any member of the audit, risk and improvement committee under certain circumstances before the expiry of their terms.

Dismissal of any independent chair or member is to be reported to the Office of Local Government.

Prequalified members

A prequalified chair or member can be dismissed by the governing body before the expiry of their term where the chair or member has:

- breached the conditions of the prequalification scheme, or become ineligible under it
- breached the council's code of conduct
- performed unsatisfactorily or not to expectations, or
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.

The council must also report the dismissal to the NSW government agency responsible for administering the prequalification scheme to ensure action can also be taken under the scheme, if necessary.

Non-prequalified members

A non-prequalified independent member of the audit, risk and improvement committee can be dismissed by the governing body before the natural expiry of their term where the chair or member 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 with is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been proven to be in a serious breach of their obligations under any NSW legislation, or
- experienced an adverse change in capacity or capability.

Councillor members

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

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 chairs, particularly in relation to:

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

[Code of Conduct: Audit and Risk Committee Chairs and Members](#) – NSW Treasury (2015)

Outlines the conduct requirements and ethical standards of members and chairs under the prequalification scheme.

[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.

[Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members – Guidelines for Members and Agencies – NSW Treasury \(2020\)](#)

Provides information on the operation of the prequalification scheme.

[Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members – Scheme Conditions – NSW Treasury \(2020\)](#)

Provides information about the prequalification scheme's application process, including:

- the eligibility criteria for members and Chairs, and
- remuneration rates.

[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 chairs, 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 will 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 takes 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 be 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 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 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 fulfil the statutory requirements 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 setting the foundational elements of council's risk management framework and the 'tone at the top'.

This includes approving via 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.

The responsibility is also specified in the Local Government Regulation (clause #tbc).

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 council's risk management framework complies with statutory requirements (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 5**.

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 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

Council's 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 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 4 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 is to 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 is to 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 statutory requirements
- 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 (clause #tbc) requires that a council's audit, risk and improvement committee 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 statutory requirements, 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.

Performance measures

To ensure the effectiveness of 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

The Local Government Regulation (clause #tbc) requires the general manager to attest each year in the council's annual report whether the council has complied with the following requirements in relation to its risk management activities:

- council has adopted a risk management framework that is consistent with current Australian risk management standards and appropriate for the council's risks, and
- the council's audit, risk and improvement committee reviews the implementation of the council's risk management framework and issues an assessment of the effectiveness of the council's risk management framework to the governing body each council term.

Further information on annual attestation requirements is provided in the statutory framework section 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 \(2016\)](#)

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, and
- Each council is accountable to the community for the effective implementation of its internal audit function.

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.

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 chair 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.

Independence

Each council in NSW, (including county council and joint organisation) must have an internal audit function to provide an independent unbiased assessment of the council's operations and risk and control activities.



Internal audit charter

It is important that council's internal audit function has clear guidance on how it should serve 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 no ambiguity between the audit, risk and improvement committee, the council or the internal audit function and that the performance of the internal audit function can be assessed.

The Local Government Regulation (clause #tbc) requires each council to adopt an internal audit charter, consistent with the approved Model Internal Audit Charter (Appendix 6), to guide how internal audit will be undertaken by the council and measure its effectiveness.



The internal audit charter is to be developed by the audit, risk and improvement committee in consultation with the general manager and the head of the internal audit function and approved via resolution by the governing body of the council.

The Local Government Regulation (clause #tbc) allows councils to 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 head of the internal audit function.

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 under the Local Government Regulation (clause #tbc).

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 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 fulfilling its statutory obligations in relation to internal audit.

The general manager has no role in the performance of the internal audit function - for example, the conduct of internal audits, the audit techniques used, or 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 given 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 (clause #tbc), 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-yearly 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 function 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 are also able to:

- establish an in-house internal audit function comprising of council staff/contractors, 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
- in remote locations that may find it difficult to appoint or retain the staff necessary to support a stand-alone internal audit function
- 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 head of a council's internal audit function 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 county 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.

In-house internal audit function

An in-house internal audit function is 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-yearly strategic work plan.

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
- 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.

Councils that have been categorised as a tier 2 or tier 3 council 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.

Head 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, meets its responsibilities to the audit, risk and improvement committee and makes a valuable contribution to the council.

The head 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 head of the 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 head of the internal audit function will be sufficient.

The head of the internal audit function 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 head of the internal audit function 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 committee
- monitoring the council's implementation of corrective actions that arise from the findings of audits
- fulfilling the committee's annual work plan and four-yearly strategic plan
- ensuring the council's internal audit activities comply with statutory requirements
- 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 head of the internal audit function:

- 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 head of the internal audit function must also operate and conduct their internal audit activities in accordance with the International Professional Practices Framework, including its Code of Ethics.

As a council employee, the head of the internal audit function must comply with all relevant council policies and procedures as required by other council staff members, including the council's code of conduct.

Independence

It is important that the head of an in-house internal audit function has the functional independence to ensure that this role has the freedom necessary to independently assess and report on the way council operates. As a safeguard, the Local Government Regulation (clause #tbc) requires the general manager to consult with the chair of the audit, risk and improvement committee before

appointing or changing the employment conditions of the head of the internal audit function (including disciplinary measures).

Where dismissal occurs, the general manager must report to the governing body advising of the reasons why the head of the internal audit function was dismissed.

Where the chair of the audit, risk and improvement committee has any concerns about the treatment of the head of the internal audit function, or any action taken that may compromise the head of the internal audit function's ability to undertake their functions independently, they can report their concerns to the governing body of the council.

The head of the internal audit function is required to 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 head 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 head of the internal audit function 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 head of the internal audit function.

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 the risks, that the 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 partner 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 head of the 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 head of an in-house internal audit function or other supporting internal auditors due to the

cost involved, the council's location and/or that the size of the council's operations and risk profile or the council's organisational structure may not warrant stand-alone employees.

Councils can therefore combine the head of the internal audit function's role and/or the role of a member of the internal audit team with another council role or 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 head of the internal audit function 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 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 head of the internal audit function or internal audit team member in another role
- the head of the internal audit function 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 committee including an assessment of the independence and objectivity (for internal audit purposes) of the head of the internal audit function or any internal audit team members with 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 is also required before any combined roles can commence.

Where the head of the 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 on their internal audit responsibilities.

For other council responsibilities, the head of the internal audit function reports functionally through normal council reporting lines to the general manager.

Outsourced internal audit function

Where a council outsources their internal audit function, the internal audits required 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, especially outside of local government and provide expertise the council may not have
- provides a window to better practice methods that small councils may 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 head of an internal audit function or 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, risk profiles and complexity of operations, tier 1 councils are encouraged, at a minimum, to establish an outsourced internal audit function.

Head of an outsourced internal audit function

Compared to the head of an in-house internal audit function which personally conducts or supervises internal audits and provides their personal opinions and recommendations to the audit, risk and improvement committee, the head 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 is to include:

- contract management
- managing internal audit budget
- ensuring the external provider completes internal audits in line with the audit, risk and improvement committee's annual plan and four-yearly strategic plan
- forward audit reports by the external provider to the committee
- act as a liaison between the external provider and the committee

- monitoring the council's implementation of corrective actions that arise from the findings of audits and reporting progress to the Committee, and
- assisting the committee to ensure the council's internal audit activities comply with statutory requirements.

To fulfil these responsibilities, the head of an outsourced 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 head of an outsourced function must comply with all relevant council policies and procedures as required by other council staff members, including the council's code of conduct.

Dual responsibilities

The head of an outsourced internal audit function can be assigned other roles and responsibilities in the council.

Where the head of an outsourced 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 head of an outsourced function reports functionally through normal council reporting lines to the general manager.

Councils can combine the head of an outsourced function's role with another council role or responsibilities provided that 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 council's internal audit charter
- the audit, risk and improvement committee endorsing the dual roles before they can commence
- the head of the outsourced 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 head of the outsourced 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 head of the outsourced function is to ensure the external provider:

- does not conduct any audits on specific council operations or area 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 possibly subject to the internal audit, and

- is able to meet the council's statutory internal audit obligations.

The head of the outsourced 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.

Chair of the audit, risk and improvement committee

The chair of an audit, risk and improvement committee that oversees an outsourced internal audit function is likely to have greater responsibilities than that of an in-house internal audit function.

As the head of an outsourced function is largely a coordination/administrative role, committee members, and in particular the chair of the Committee, will do the 'heavy lifting' and 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 increased role.

Shared internal audit function

Under the Local Government Regulation (clause #tbc) 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, or

- for joint organisations - share an internal audit function with a member council.

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 statutory requirements 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 which 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 councils and reporting to multiple governing bodies and general managers, 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 head of the internal audit function and any other internal audit team members are employees of the host council
- the head of the internal audit function 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 head of the internal audit function 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 head of the internal audit function reports administratively to the executive officer of the joint organisation
- the head of the internal audit function 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 head of the internal audit function in consultation with the general managers and audit, risk and improvement committees of each member council.

Head of a shared internal audit function

In-house function

The head 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 work plan and four-yearly strategic plan for each council
- conduct or oversee the individual audits of each council and monitoring 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 head 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 plan and four-yearly strategic plan
- provide audit reports by the external provider to the relevant committee and general manager and coordinate council responses
- monitor the implementation by each council of corrective actions that arise from the findings of audits and reporting progress to the committee
- assist each council's committee to ensure the council's internal audit activities comply with statutory requirements, and
- maintain separate and confidential information for each council.

Workplans

The work of each council's internal audit function will be guided by the strategic four-yearly workplan and annual workplan 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 head of the internal audit function must provide the findings and recommendations of internal audits to the audit, risk and improvement committee at the end of each audit.

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 written 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.

The head of the internal audit function must provide a draft of each report to the responsible senior manager/s so that a response to each recommendation from each relevant business unit can be included in the final report that is submitted to the audit, risk and improvement committee.

The audit, risk and improvement committee must agree with the general manager the maximum time period the general manager has to approve and provide the council's response to the committee.

Responsible senior managers will have the right to reject recommended corrective action/s on reasonable grounds but should discuss their position with the head of the internal audit function or the chair 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 those 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 head of the internal audit function is provided regular updates, or as otherwise reasonably requested, 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 head of the internal audit function should establish an ongoing monitoring system to track the internal audits undertaken for the

council and follow-up council's progress in implementing corrective actions.

Compliance with regulatory requirements and internal audit standards could also be included as part of ongoing monitoring and self-assessment.

If necessary, any problems identified 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 chair of the committee can also request to meet with the mayor.

This will ensure that the governing body is fully aware 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 council's response to recommendations
- how any internal audit-related disputes will 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.

for consideration and action before their consequences escalate.

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 head of the internal audit function 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 head of the internal audit function.

Ongoing advice

The head of the internal audit function can meet with the chair 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

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 via resolution, subject to the approval of the chair of the 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 chair of the 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 chair 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 internal auditors held 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 activity.

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 head of the internal audit function.

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 statutory requirements and the International Professional Practices Framework
- the appropriateness of annual work plans and strategic 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 internal audit issues identified by the committee.

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.

- make a public interest disclosure under the *Public Interest Disclosures Act 1994* 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).

Reporting concerns about councillors or council staff

Given the nature of internal audit, there may times where the internal audit function identifies concerns about the conduct of council staff.

Where the head of the internal audit function has concerns regarding a staff member, they can:

- raise their concerns with the chair 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

Annual attestation

The Local Government Regulation (clause #tbc) requires the general manager to attest each year in the council's annual report whether the council has complied with the following requirements:

- council has an internal audit function that provides an independent unbiased assessment of the council's operations and risk and control activities
- council's internal audit function reports to the audit, risk and improvement committee on internal audit matters
- the internal audit function operates independently of the council
- council's internal audit function operates according to an internal audit charter, which is consistent with the approved Model Internal Audit Charter contained in these guidelines
- council has appointed an appropriately skilled and eligible staff member to direct the council's internal audit activities or is part of a shared arrangement where a participating council has appointed a staff member to lead internal audit
- internal audit activities are conducted in accordance with the International Professional Practices Framework

- council's internal audit function operates according to annual and four-yearly strategic plans adopted by the governing body of the council
- council provides the internal audit function with direct and unrestricted access to the general manager and other staff, council information and resources so it can fulfil its responsibilities, and
- at least once each council term (i.e. four years) the audit, risk and improvement committee conducts a review of the effectiveness of the council's internal audit function.

Further information on annual attestation requirements are detailed in the statutory framework section 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 that seek 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 appoint an audit, risk and improvement committee by June 2022.

Following June 2022, councils will have two years, until 30 June 2024, to comply with the risk management and internal audit requirements under these Guidelines and five years to comply with the audit, risk and improvement committee requirements.

Audit, risk and improvement committees

New Committees

Councils that currently do not have an audit, risk and improvement committee must appoint a Committee by June 2022 that complies with the requirements of these Guidelines.

Existing Committees

Councils that already have an audit, risk and improvement committee will already comply with the requirement under the Local Government Act to appoint a committee.

These councils will have until June 2027 (five years) to ensure the membership of their committees comply with these guidelines.

Additional transition time is provided to allow the terms of existing audit, risk and improvement committee members that may not otherwise be eligible for membership of the committee under the new requirements, to naturally expire.

Staged compliance will provide greater stability in the membership of existing committees, ensure the retention of corporate knowledge on the committee, and reduce demand on the prequalification scheme.

[Guidelines for Risk Management and Internal Audit for Local Government in NSW](#)

Risk management framework

Councils have until 30 June 2024 to ensure their risk management framework complies with these guidelines.

However, councils that already have a mature risk management framework are encouraged, for their own benefit, to comply sooner.

Internal audit function

As a transitional measure, councils will have until 30 June 2024 to ensure their internal audit function complies with these guidelines.

However, councils that already have an internal audit function are encouraged, for their own benefit, to comply sooner.

Attestation

Attestation requirements will commence in 2024 for risk management and internal audit, and 2027 for audit, risk and improvement committees.

All councils will be required to publish their attestation certificates commencing with their 2024-2025 annual report.

However, councils with more mature audit, risk and improvement committees, internal audit function and/or risk management frameworks are encouraged to consider publishing attestation certificates in their annual reports sooner.

Appendix 1:

Attestation template and Determination 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 and risk management and internal audit processes that, excluding the exceptions outlined below, operate in compliance with the requirements set out in the *Local Government Act 1993* and *Local Government (General) Regulation 2005*.

Specifically:

Audit, risk and improvement committee

| Requirement | Compliance |
|--|--|
| [Council's/joint organisation's] audit, risk and improvement committee is independent of the [council/joint organisation] and has three or more members that comply with or exceed the minimum requirements for the [council's/joint organisation's] prescribed category as a [tier #tbc] council | [compliant or non/compliant] |
| The chair and all members of [council's/joint organisation's] audit, risk and improvement committee meet the eligibility and independence criteria required of their position, and have been appointed in accordance with prescribed membership term limits | [compliant or non/compliant] |
| [Council's/joint organisation's] audit, risk and improvement committee operates according to terms of reference approved by the [governing body of the council/board of the joint organisation] that are consistent with the approved Model Terms of Reference | [compliant or non/compliant] |
| [Council's/joint organisation's] audit, risk and improvement committee operates according to annual and four-yearly strategic plans endorsed by the [governing body of the council/board of the joint organisation] | [compliant or non/compliant] |
| [Council's/joint organisation's] audit, risk and improvement committee provides an annual assessment to the [governing body/board of the joint organisation] each year, and a strategic assessment of all the matters listed in section 428A of the Local Government Act to the [governing body/board] each council term | [compliant or non/compliant, include date of last strategic assessment provided] |
| The [council/joint organisation] provides the audit, risk and improvement committee with direct and unrestricted access to the [general manager/executive officer], senior management, [council/joint organisation] information and [council/joint organisation] resources so it can fulfil its responsibilities | [compliant or non/compliant] |
| At least once each council term the [governing body of the council/board of the joint organisation] reviews the effectiveness of the audit, risk and improvement committee. | [compliant or non/compliant, include date of last review] |

Membership

The chair and membership of the audit, risk and improvement committee are:

| | | | |
|--|--------|-------------------|--------------------|
| Independent chair | [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] |
| Independent member ¹ | [name] | [start term date] | [finish term date] |
| Independent member ¹ | [name] | [start term date] | [finish term date] |
| [Councillor/board] member ¹ | [name] | [start term date] | [finish term date] |

Risk Management

| Requirement | Compliance |
|--|--|
| [Council/joint organisation] has adopted a risk management framework that is consistent with current Australian risk management standards and appropriate for the [council's/joint organisation's] risks | [compliant or non/compliant] |
| [Council's/joint organisation's] audit, risk and improvement committee is responsible for reviewing the implementation of [council's/joint organisation's] risk management framework and issues a strategic assessment of the effectiveness of the [council's/joint organisation] risk management framework to the [governing body/board] each council term. | [compliant or non/compliant, include date of last strategic assessment provided] |

Internal Audit

| Requirement | Compliance |
|--|------------------------------|
| [Council/joint organisation] has an internal audit function that provides an independent unbiased assessment of the [council's/joint organisation's] operations and risk and control activities | [compliant or non/compliant] |
| [Council's/joint organisation's] internal audit function reports to the audit, risk and improvement committee on internal audit matters | [compliant or non/compliant] |
| [Council's/joint organisation's] internal audit function operates independently of the [council/joint organisation] and internal audit activities are not subject to direction by the [council/joint organisation] | [compliant or non/compliant] |
| [Council's/joint organisation's] internal audit function operates according to an internal audit charter, which is consistent with the approved Model Internal Audit Charter | [compliant or non/compliant] |
| [Council/joint organisation] has appointed an appropriately skilled and eligible staff member to direct the [council's/joint organisation's] internal audit activities or is part of a shared | [compliant or non/compliant] |

¹ Delete row if optional member not appointed

| Requirement | Compliance |
|---|------------------------------|
| arrangement where a participating [council/joint organisation] has appointed a staff member to direct shared internal audit activities | |
| Internal audit activities are conducted in accordance with the International Professional Practices Framework | [compliant or non/compliant] |
| [Council's/joint organisation's] internal audit function operates according to annual and four-yearly strategic plans developed by the [council's/joint organisation's] audit, risk and improvement committee and endorsed by the [governing body of the council/board of the joint organisation] | [compliant or non/compliant] |
| [Council/joint organisation] provides the internal audit function with direct and unrestricted access to the [council/joint organisation] staff, [council's/joint organisation's] audit, risk and improvement committee, [council/joint organisation] information and resources so it can fulfil its responsibilities | [compliant or non/compliant] |
| At least once each council term [council's/joint organisation's] audit, risk and improvement committee reviews the effectiveness of the [council's/joint organisation's] internal audit function and reports this to the [governing body of the council/board of the joint organisation]. | [compliant or non/compliant] |

Departures from regulatory requirements

I advise that the audit, risk and improvement committee, risk management and internal audit activities for [council/joint organisation] depart from the requirements set out in the *Local Government Act 1993* and *Local Government (General) Regulation 2005* in the following ways:

| Non-compliance | Reason | Alternative measures being implemented | Exemption granted by the Chief Executive of the Office of Local Government |
|--------------------------|---|---|--|
| [regulatory requirement] | [detailed description of reasons giving rise to the non-compliance] | [detailed description of the practicable alternative measures implemented to achieve equivalent level of assurance] | [yes/no] |
| | | | |
| | | | |
| | | | |

These processes, including the alternative measures implemented, demonstrate that [council/joint organisation] has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within [council/joint organisation].

[signed]
 [name and position]
 [date]

[Council/joint organisation] compliance with mandatory risk management and internal audit requirements

I am advised that [council/joint organisation] has not complied with the following requirements with respect to the operation of its [audit, risk and improvement committee/risk management/internal audit processes] (omit where relevant):

| Requirement | Reason for non-compliance |
|--------------------------|---|
| [regulatory requirement] | [detailed description of reasons giving rise to the non-compliance] |
| | |
| | |

I note that the following alternative arrangements have been implemented to achieve outcomes equivalent to the requirement/s:

| Summary of alternative arrangements | How they will achieve equivalent outcomes |
|--|--|
| [summary of alternative arrangement] | [summary of how they will achieve equivalent outcomes] |
| | |
| | |

I am satisfied that these alternative arrangements will achieve outcomes equivalent to the requirement/s.

This exemption from the requirements of the *Local Government (General) Regulation 2005* is valid for the financial year/s of [years].

[signed]
[name and position]
[date]

[Office of Local Government contact officer contact details]

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 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 (i.e. internal audit).

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

The audit, risk and improvement committee and 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)

Principle

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 plan and annual work plan of internal audits to be undertaken by the council's internal audit function
 - if council's internal audit activities are effective, including the performance of the head of the internal audit function and internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by 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

External audit

Principle

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)

Principle

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)

Principle

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:

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 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 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 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 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)

Principle

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,
- implemented applicable guidance and other better practice measures by the Independent Commission Against Corruption.

Financial management framework

section 428A(2)(d)

Principle

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:

External accountability and financial reporting framework

- if council is complying with accounting standards and external accountability requirements
- of the appropriateness of councils accounting policies and disclosures
- of the implications for council of the findings of external audits and performance audits and 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 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 council's grants and tied funding policies and procedures are sound.

Governance framework

section 428A(2)(e)

Principle

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 role 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)

Principle

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 s428A(3)

Principle

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 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)

Principle

Council's performance management framework ensures 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 council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- the performance indicators 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* and clauses (#tbc) of the *Local Government (General) Regulation 2005*. 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 provide [council/joint organisation] with robust, objective and unbiased advice and assurance.

The Committee is to provide an advisory and assurance role only and is to have no administrative function, delegated financial responsibility 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 [council staff/joint organisation], relevant external bodies and subject matter experts.

The Committee must at all times 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/board] and [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 role and 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. [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. [change if documentation is to be made available to the public]

Composition and tenure

The Committee consists of [tier 1 – one independent prequalified voting Chair, two independent voting members and one non-voting councillor/board member] [tier 2 – one independent prequalified voting Chair, one independent prequalified voting member, one independent voting member and one non-voting councillor/board member] [tier 3 – one independent prequalified voting Chair, two independent prequalified voting members and one non-voting councillor member/board member], in accordance with the *Guidelines for risk management and internal audit in local councils in NSW*.

[If applicable - council/joint organisation has been granted an exemption by the Secretary of the Department of Planning, Industry and Environment from the requirement that the Chair of the Committee be prequalified under the NSW Government's *Audit and Risk Committee Independent Chairs and Members Prequalification Scheme*.]

The [governing body/board] is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee. Current committee members are:

| | |
|--------|--|
| [name] | Independent chair (voting) |
| [name] | Independent member (voting) |
| [name] | Independent member (voting) |
| [name] | [Councillor/board] member (non-voting) (if applicable) [cannot be the mayor] |

All committee members are to meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit in local councils in NSW*.

Members will be appointed for a four-year period. Members can be reappointed for a 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 member or Chair) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of [council/joint organisation], ideally, no more than one member should leave the Committee because of rotation on any one year.

Specific member terms and conditions are to be disclosed 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 committee responsibilities.

Prior to approving the reappointment or extension of the Chair's or an independent member's term, the [governing body/board] is to undertake an assessment of the Chair's or committee member's performance. Reappointment of the Chair and members is also to be subject to the individual still meeting independence and eligibility requirements.

Members of the Committee are to possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of [council/joint organisation], the environment in which [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

In accordance with section 428A of the *Local Government Act 1993*, 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 [council's/joint organisation's] performance of its functions.

The Committee's specific audit, risk and improvement responsibilities under section 428A are outlined in Schedule 1 to this charter.

The Committee will act as a forum for the [council's/joint organisation's] internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee will have no power of direction over external audit or the manner in which the external audit is planned or 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 of the council/board of the joint organisation] 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/board] and [general manager/executive officer].

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the [governing body of the council/board of the joint organisation] from time to time.

Responsibilities of members

Independent members

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:

- 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 (Chair)
- lead effective committee meetings (Chair), and
- oversee the [council's/joint organisation's] internal audit function (Chair).

[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/board] 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/board] (as necessary) of the work of the Committee and any issues arising from it, and
- assist the [governing body/board] 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 Chair 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 Chair's recommendation, the [council/joint organisation] must give reasons for its decision in writing to the Chair.

Conduct

Independent committee members are required to comply with the [council's/joint organisation's] code of conduct and be held to the same ethical, behavioural and conduct standards as officials of the council.

Complaints or breaches of [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/board] 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.

Prequalified Committee members are also required to comply with the code of conduct governing the NSW Government's *Audit and Risk Committee Independent Chairs and Members Prequalification Scheme*.

Conflicts of interest

Once a year, Committee members will 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' and must also complete and submit returns of interest.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest that may have at the start of each meeting, before discussion of the relevant agenda item or issue, and when the issue arises. Where committee members and observers are deemed to have a pecuniary or a significant non-pecuniary conflict of interest, they are to remove themselves from Committee deliberations on the issue. Details of any conflicts of interest should also 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.

Workplans

The work of the Committee is to be thoroughly planned and executed to ensure that all [council/joint organisation] activities and functions are reviewed. The Committee must develop a strategic plan every four years to ensure that all matters listed in Schedule 1 are reviewed by the Committee and the internal audit function over each [council/joint organisation] term. The strategic plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the [council's/joint organisation's] [governing body/board], vary the strategic work plan at any time to address new or emerging risks. The [governing body/board] of the [council/joint organisation] 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 must be made by the Committee.

The Committee must also develop an annual workplan to guide its work, and the work of the [name of internal audit function], over the forward year.

The Committee may, in consultation with the [council's/joint organisation's] governing body, vary the annual work plan to address new or emerging risks. The [governing body/board] of the [council/joint organisation] 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 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 workplan.

Assurance reporting

The Committee must regularly report to the [council/joint organisation] to ensure that the [council/joint organisation] 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/board] and [general manager/executive officer] of its activities and opinions after every Committee meeting.

The Committee will provide an annual assessment to the [governing body/board] and [general manager/executive officer] each year on the Committee's work and its opinion on how [council/joint organisation] is performing.

The Committee will provide a comprehensive assessment every council term of all the matters listed in Schedule 1 to the [governing body/board] and [general manager/executive officer].

The Committee may at any time report to the [governing body/board] or [general manager/executive officer] on any other matter it deems of sufficient importance to warrant their attention. The Mayor and Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

Should the [governing body/board] require additional information, a request for the information may be made to the Chair by resolution. The Chair may only provide the information requested by the [governing body/board] where the Chair is satisfied that it is reasonably necessary for the [governing body/board] 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] 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 Chair is asked to hold an additional meeting by a committee member, the [general manager/executive officer] or the [governing body/board].

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted if a member is unable to attend a meeting.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.

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.

The [general manager/executive officer] and [head of the internal audit function] are to 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/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. These individuals must attend and provide any information requested, where possible. Observers have no voting rights and can be excluded from a meeting by the Chair 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 both the [name of internal audit function] and the [council's/joint organisation's] external auditor at least once per 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 via 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 of the council/board of the joint organisation].

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Secretary of the Department of Planning, Industry and Environment in writing.

Secretariat

The [general manager/executive officer] will appoint a [council/joint organisation] employee/s 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 [number] weeks before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within [agreed timeframe] of the meeting to each member.

Resignation and dismissal of members

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 [agreed timeframe] notice to the Chair and [governing body/board] prior to their resignation to enable the [council/joint organisation] to ensure a smooth transition to a new committee member.

The [governing body/board] can terminate via resolution the engagement of any Chair or independent committee member before the expiry of their term where the individual has:

- breached the conditions of, or become ineligible under the NSW Government's *Audit and Risk Committee Independent Chairs and Members Prequalification Scheme*
- breached the council's Code of Conduct
- performed unsatisfactorily or not to expectations
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been proven to be in a serious breach of their obligations under any legislation, or
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.

The position of a [councillor/board] member on the Committee can be terminated at any time by the [governing body/board] via resolution.

Review arrangements

At least once every council term the [governing body/board] must conduct an external review of the effectiveness of the Committee.

These terms of reference are to be reviewed annually by the Committee and once each council term by the [governing body/board]. Any substantive changes are to be approved by the [governing body/board].

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 Chair of the audit, risk and improvement committee
[signed]
[date]

Reviewed by [council/joint organisation] or 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/board], [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 plan and annual work plan of internal audits to be undertaken by the [council's/joint organisation's] internal audit function
 - if [council's/joint organisation's] internal audit activities are effective, including the performance of the head of the internal audit function and internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by [council/joint organisation] 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

External audit

- Act as a forum for communication between the [governing body/board], [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/board] 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 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 [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 [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 [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 [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 [council/joint organisation] is complying with accounting standards and external accountability requirements
- of the appropriateness of [council's/joint organisation's] accounting policies and disclosures
- of the implications for [council/joint organisation] of the findings of external audits and performance audits and [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 [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 role 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] 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 [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 [council/joint organisation] has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators [council/joint organisation] uses are effective, and
- of the adequacy of performance data collection and reporting.

Appendix 4:

Council categories



Tier 1

General purpose councils

Definition:

- ❖ **Local government area is in a remote location with a population of <20,000 persons**
- ❖ **Local government area is predominantly rural or agricultural in nature with low population growth.**

- Balranald Shire Council
- Bellingen Shire Council
- Berrigan Shire Council
- Bland Shire Council
- Blayney Shire Council
- Bogan Shire Council
- Bourke Shire Council
- Brewarrina Shire Council
- Cabonne Council
- Carrathool Shire Council
- Central Darling Shire Council
- Cobar Shire Council
- Coolamon Shire Council
- Coonamble Shire Council
- Cootamundra-Gundagai Regional Council
- Cowra Shire Council
- Dungog Shire Council
- Edward River Council
- Federation Council
- Forbes Shire Council
- Gilgandra Shire Council
- Glen Innes Severn Council
- Greater Hume Shire Council
- Gunnedah Shire Council
- Gwydir Shire Council
- Hay Shire Council
- Hilltops Council
- Inverell Shire Council
- Junee Shire Council
- Kyogle Council
- Lachlan Shire Council
- Leeton Shire Council
- Liverpool Plains Shire Council
- Lockhart Shire Council
- Moree Plains Shire Council
- Murray River Council
- Murrumbidgee Council
- Muswellbrook Shire Council
- Nambucca Valley Council
- Narrabri Shire Council

- Narrandera Shire Council
- Narromine Shire Council
- Oberon Council
- Parkes Shire Council
- Snowy Valleys Council
- Temora Shire Council
- Tenterfield Shire Council
- Upper Hunter Shire Council
- Upper Lachlan Shire Council
- Uralla Shire Council
- Walcha Council
- Walgett Shire Council
- Warren Shire Council
- Warrumbungle Shire Council
- Weddin Shire Council
- Wentworth Shire Council
- Yass Valley Council

County councils

Definition:

- ❖ **County council is small in size and has lower operating revenue and expenses compared to other county councils**

- Castlereagh-Macquarie County Council
- Central Tablelands Water County Council
- Hawkesbury River County Council
- New England Tablelands (Noxious Plants) County Council
- Upper Hunter Council Council
- Upper Macquarie County Council

Joint organisations

Definition:

- ❖ **All joint organisations**
- Canberra Region Joint Organisation
- Central NSW Councils Joint Organisation
- Far North Coast Joint Organisation
- Far South West Joint Organisation
- Hunter Joint Organisation of Councils
- Illawarra Shoalhaven Joint Organisation
- Mid North Coast Joint Organisation
- Namoi Joint Organisation
- New England Joint Organisation
- Northern Rivers Joint Organisation
- Riverina and Murray Joint Organisation
- Riverina Joint Organisation

Tier 2

General purpose councils

Definition:

- ❖ **Local government area is part of a regional urban centre that has a population <1,000,000 persons**
- ❖ **Local government area has a population of <20,000 persons or a population density of >30 persons/km² and is predominantly urban in nature**

- Albury City Council
- Armidale Regional Council
- Ballina Shire Council
- Bathurst Regional Council
- Bega Valley Shire Council
- Broken Hill City Council
- Byron Shire Council
- Cessnock City Council
- Clarence Valley Council
- Coffs Harbour City Council
- Dubbo Regional Council
- Eurobodalla Shire Council
- Goulburn Mulwaree Council
- Griffith City Council
- Kempsey Shire Council
- The Council of the Municipality of Kiama
- Lismore City Council
- City of Lithgow Council
- Maitland City Council
- Mid-Coast Council
- Mid-Western Regional Council
- Orange City Council
- Port Macquarie-Hastings Council
- Port Stephens Council
- Queanbeyan-Palerang Regional Council
- Richmond Valley Council
- Shellharbour City Council
- Shoalhaven City Council
- Singleton Council
- Snowy Monaro Regional Council
- Tamworth Regional Council
- Tweed Shire Council
- Wagga Wagga City Council
- Wingecarribee Shire Council

County councils

Definition:

- ❖ **County Council provides essential utility services to the regional area and has higher revenue and operating expenses compared to other county councils**

- Goldenfields Water County Council
- Riverina Water County Council
- Rous County Council

Tier 3

General purpose councils

Definition:

- ❖ **Local government area is part of, or on the fringe of, an urban centre that has a population >1,000,000 persons and population density of 600 persons/km²**
- ❖ **Local government area has a population of > 20,000 persons or population density of >30 persons/km² or 90% of LGA population is urban**

- Bayside Council
- Blacktown City Council
- Blue Mountains City Council
- Burwood Council
- City of Canada Bay Council
- Camden Council
- Campbelltown City Council
- Canterbury-Bankstown Council
- Central Coast Council
- Cumberland Council
- Fairfield City Council
- Georges River Council
- Hawkesbury City Council
- The Hills Shire Council
- The Council of the Shire of Hornsby
- The Council of the Municipality of Hunters Hill
- Inner West Council
- Ku-ring-gai Council
- Lake Macquarie City Council
- Lane Cove Municipal Council
- Liverpool City Council
- Mosman Municipal Council
- Newcastle City Council

- Northern Beaches Council
- North Sydney Council
- Council of the City of Parramatta
- Penrith City Council
- Randwick City Council
- Council of the City of Ryde
- Strathfield Municipal Council
- Sutherland Shire Council
- Council of the City of Sydney
- Waverley Council
- Willoughby City Council
- Wollondilly Shire Council
- Wollongong City Council
- Woollahra Municipal Council

DRAFT

Appendix 5:

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/joint organisation], 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*, *Local Government (General) Regulation 2005*, 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 6:

Model Internal Audit Charter

Model Internal Audit Charter for local councils in NSW

[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 and in compliance with the *Guidelines for risk management and internal audit in local councils in NSW*. This Charter provides the framework for the conduct of the [name of internal audit function] in [council/joint organisation] and has been approved by the [governing body/board] 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 a [council's/joint organisation's] operations. It helps a [council/joint organisation] accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes².

Internal audit provides an independent and objective review and advisory service to provide advice to the [governing body/board], [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/board]. Should the [governing body/board] require additional information, a request for the information may be made to the Chair by resolution. The Chair may only provide the information requested by the [governing body/board] where the Chair is satisfied that it is reasonably necessary for the [governing body/board] 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.

² 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 Chair of the [council's/joint organisation's] audit, risk and improvement committee before appointing or changing the employment conditions of the [head of internal audit function]. Where dismissal occurs, the [general manager/executive officer] must report to the [governing body/board] advising of the reasons why the [head of internal audit function] was dismissed.

Where the chair of the [council's/joint organisation's] audit, risk and improvement committee has any concerns about the treatment of the [head of internal audit function], or any action taken that may compromise the [head of internal audit function's] ability to undertake their functions independently, they can report their concerns to the [governing body/board].

The [head of internal audit function] 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 [head of the internal audit function] considers necessary to enable the [name of the internal audit function] to fulfil its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of these activities. The [head of internal audit function] and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during 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 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.

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 or 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).

[Head of internal audit function]

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 roles and responsibilities to the [council/joint organisation] and its audit, risk and improvement committee. The [head of internal audit function] must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the [head on internal audit function] 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
- fulfilling the Committee's annual work plan and four-yearly strategic plan
- ensuring the [council's/joint organisation's] internal audit activities comply with the *Guidelines on risk management and internal audit in local councils 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 roles and responsibilities to the [council/joint organisation] and its audit, risk and improvement committee. The [head of internal audit function] must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the [head on 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 plan and four-yearly strategic 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 *Guidelines on risk management and internal audit in local councils 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 [head of internal audit function].

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 partner 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 [head of internal audit function] 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 possibly subject to the internal audit, and
- is able to meet the [council's/joint organisation's] obligations under the *Guidelines on risk management and internal audit for local councils in NSW*.

The [head of internal audit function] 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 plan every four years to ensure that all matters listed in Schedule 1 are reviewed by the Committee and the internal audit function over each council term. The strategic plan must be reviewed at least annually to ensure it remains appropriate.

The Committee is to also develop an annual workplan 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 [head of the internal audit function] 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 [head of internal audit function] 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 [head of internal audit function] 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 are required to 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 taken against the [head of the internal audit function] in response to a breach of the [council's/joint organisation's] Code of Conduct.

Internal auditors are also required to 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 [head of the internal audit function] will attend audit, risk and improvement committee meetings as an independent non-voting observer. The [head of the internal audit function] can be excluded from meetings by the committee at any time.

The [head of the internal audit function] must meet separately with the audit, risk and improvement committee at least once per year.

The [head of the internal audit function] can meet with the chair of the audit, risk and improvement committee at any time, as necessary, in 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 via 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 audit, risk and improvement committee are to be resolved by the [governing body of the council/board of the joint organisation].

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Secretary of the Department of Planning, Industry and Environment in writing.

Review arrangements

[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/board]. A strategic review 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 on the performance of the [internal audit function] 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/board]. Any substantive changes are to be approved by the governing body/board.

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 [head of internal audit function]
[sign and date]

Reviewed by Chair of the [council's/joint organisation's] audit, risk and improvement committee
[sign and date]

Reviewed by [council/joint organisation] or in accordance with a resolution of the [governing body/board]
[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 Committee related 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 strategic internal audit work plans
- Monitor the implementation by [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, and
- 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 [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 [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 [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 [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 [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 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 [council/joint organisation] is complying with accounting standards and external accountability requirements
- of the appropriateness of [council's/joint organisation's] accounting policies and disclosures
- of the implications for [council/joint organisation] of the findings of external audits and performance audits and [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 [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] 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 [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 [council/joint organisation] has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators [council/joint organisation] uses are effective, and
- of the adequacy of performance data collection and reporting.

DRAFT



Summary of changes to the proposed new risk management and internal audit framework in response to submissions

Audit, Risk and Improvement Committees (ARIC)

- More 'principles-based' approach to reduce prescription and assist councils and ARICs to focus on desired outcomes
- New tiered ARIC model for metropolitan, regional and rural/remote councils and joint organisations and county councils with reduced prequalification requirements to better reflect the different needs of councils and their ability to attract ARIC members
 - enables a mix of prequalified, non-prequalified, independent and councillor members
 - new eligibility criteria for non-prequalified and councillor members
- More flexibility in ARICs' role:
 - ARIC provides limited assurance rather than full assurance – role and reporting terminology changed to reflect this
 - ARIC reviews all matters listed in s428A of the *Local Government Act 1993* over the council term, rather than annually, and focuses on systems/controls in place
 - more flexibility for councils to shape ARICs' role depending on council needs
- More information about ARICs' new assurance role in relation to integrated planning and reporting, service delivery and performance measurement
- Clearer links between the ARIC and the governing body to ensure the governing body receives maximum value from ARIC's expertise:
 - workplans developed by ARIC and noted by the governing body
 - new annual and four-yearly assurance meetings between the ARIC and governing body to discuss ARIC opinions, workplans, charter, terms of reference etc
 - councils can appoint a non-voting councillor member to their ARIC (optional)
- Reduced ARIC costs:
 - ARIC member fees at council's discretion
 - reduced external review requirements
- Revised term limits to make it easier to appoint ARIC members:
 - ARIC member terms coincide with council terms
 - longer maximum terms
 - possible exemption from term limits where a tier 1 council can't find new ARIC members
- New information about ARICs' role and key relationships with other stakeholders
- ARIC members can have more local government experience:
 - some independence requirements reduced
 - new ability to allow local community perspective/knowledge as a criteria for appointment to an ARIC
- Stronger ARIC member appointment and induction processes
- Enhanced leadership role for the chair over the ARIC and ARIC meetings
- More flexibility for councils regarding confidentiality of ARIC agendas and minutes
- ARIC given unrestricted access to general manager and senior staff only – access to other staff requires general manager's approval

- New 'further resources' section that provides examples/templates/information regarding implementation of ARICs

Risk management

- More 'principles-based' approach to remove prescription and assist councils to focus on desired outcomes
- Clarification on how risk management requirements apply to joint organisations and county councils, and the role of internal audit and ARICs in risk management
- New ability for shared arrangements for county councils and joint organisations to reduce costs
- More flexibility in implementation and workforce resourcing:
 - risk management refocused as a 'function' rather than a dedicated position so it can be shared with other council roles and fit into council's existing organisational structure
 - general manager can delegate risk management to any staff member
 - removed need for responsibilities to be included in senior staff contracts
- More accountability by the council to the governing body and ARIC for risk management:
 - ARIC reviews risk management framework each council term – highest risks reviewed as required
 - effectiveness of risk management framework formally discussed with the governing body and ARIC annually and each council term
- New 'further resources' section that provides examples/templates/information regarding risk management implementation

Internal audit

- More 'principles-based' approach to remove prescription and assist councils to focus on desired outcomes
- Clarification of dual reporting line to the ARIC and general manager
- More flexibility to implement the internal audit function within council's existing organisational structure and attract internal audit staff:
 - new tiered model for in-house and outsourced internal audit functions to reflect practical requirements of councils and the varied roles required of the head of internal audit function in different councils
 - specific role title for the head of the internal audit function removed
 - internal audit function can report to a staff member other than the general manager
 - detailed eligibility criteria for internal audit staff replaced with requirement that they be able to fulfil their role
 - ability to combine head of internal audit function role with any other role in council provided safeguards are met
- Shared arrangements simplified:
 - oversight by councillor committee and administrative committee removed
 - prescription of practical arrangements removed
- New ability for ARIC Chair to refuse a person's future access to internal audit information where they make unauthorised disclosures of internal audit information

- Performance review process streamlined to reduce costs:
 - removed annual review report by head of internal audit function to ARIC
 - ARIC conducts annual and four-yearly strategic assessment of internal audit function
- New 'further resources' section provides templates, examples, checklists, tools etc that can be used when performing audits and assessing the performance of the internal audit function

Attestation

- Annual attestation to key non-negotiable requirements of the Guidelines
- General manager to consult with ARIC on annual attestation before it is published (co-signing removed)
- Increased accountability and transparency:
 - Department of Planning, Industry and Environment's response to attestation exemption to be published in annual report
 - ARIC member details to be published in attestation certificate
 - Attestation certificate template clarifies what councils are attesting to

Implementation timeline

- All councils must appoint an ARIC from 4 June 2022
- All councils have until 2024 to establish their risk management framework and internal audit function – attestation commences 2024
- Councils have until 2027 to ensure ARIC membership complies with the Guidelines, allowing councils to transition into the new membership requirements as and when membership of existing ARICs expire – attestation commences 2027

LEETON SHIRE COUNCIL
Audit, Risk and Improvement Committee - Thursday 9 September 2021

**ITEM 5.5 LEETON SHIRE COUNCIL INTERNAL AUDIT PROGRAM FOR 2021/22 -
CONFIRMATION OF SCOPE**

| | |
|----------------------------|---|
| RECORD NUMBER | 21/322 |
| RELATED FILE NUMBER | D18/16405 |
| AUTHOR/S | Executive Manager IPR, Governance and Engagement |
| APPROVER/S | General Manager |

SUMMARY/PURPOSE

The purpose of this report is to present for the Audit, Risk and Improvement Committee's consideration, scoping details for internal audits of Council's:

- Water Licenses/Trading of Temporary Water licenses
- Accounting for the Sale of Real Estate.

RECOMMENDATION

THAT the Audit, Risk and Improvement Committee reviews the draft scopes for internal audits of Leeton Shire Council's sales of real estate and trading of temporary water.

REPORT

(a) Background

On 4 May 2021, the ARIC considered a number of proposed Internal Audits for inclusion in Leeton Shire Council's Internal Audit Program 2021/22.

At this meeting, the ARIC resolved:

THAT the Audit, Risk and Improvement Committee identifies the following three Internal Audits for inclusion in Leeton Shire Council's Internal Audit Program 2021/22:

- 1. Delivery of Projects and Contract Management – to proceed directly*
- 2. Water Licences – subject to scoping details being considered/ endorsed at the next meeting of the Audit, Risk and Improvement Committee*
- 3. Accounting for the sale of real estate – subject to scoping details being considered/endorsed at the next meeting of the Audit, Risk and Improvement Committee.*

The ARIC's resolutions were endorsed at the Ordinary Council Meeting of 26 May 2021.

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(b) Discussion

As requested, draft scopes have been written for the audits on water trading (**Attachment 1**) and real estate sales (**Attachment 2**).

The audit for the delivery of projects and contract management is scheduled to commence at the end of October 2021.

(c) Options

The ARIC can choose to accept the draft scopes with or without alterations. Alternatively, the ARIC can reject the draft scopes.

IMPLICATIONS TO BE ADDRESSED

(a) Financial

The draft budget for the 2021/22 financial year includes an allocation of \$40,000 for Internal Audits. Quotes will be sought from the approved panel of internal auditors.

(b) Policy

Audit, Risk and Improvement Charter
Risk Management Policy

(c) Legislative/Statutory

Internal Audit Guidelines

(d) Risk

There may be significant risks to Council if it does not undertake any Internal Audits. It is important to undertake internal audits to uncover and then manage any significant risks to the organisation.

CONSULTATION

(a) External

Nil

(b) Internal

ARIC members
Senior Management Team

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)

Under the Key Priority Area THEME 6 – STRONG LEADERSHIP within Council's adopted Delivery Program/Operational Plan – 20 – A community that is always on the front foot – 20a is to Ensure the aspirations of the community are delivered - Operate an efficient and effective Local Government Administration.

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ATTACHMENTS

- 1** [↓](#) DRAFT Scope for Water Licenses/Temporary Water Trading Audit – September 2021

- 2** [↓](#) DRAFT Scope for Sale of Real Estate Audit – September 2021



INTERNAL AUDIT SCOPE

**Leeton Shire Council's Town Water Allocation –
Temporary Transfer**

PREPARED BY:
GROUP MANAGER CORPORATE
DATE: SEPTEMBER 2021
VERSION: DRAF

1. PROJECT BRIEF

Leeton Shire Council is seeking to:

- Review its current governance, controls and effectiveness in relation to the temporary trade of Council-owned water ("water trading"), including with reference to Council's policies, resolutions and strategic objectives and, where relevant, legislation and best practice.
- Identify any areas of risk arising in relation to water trading.
- Identify enhancements or improvements required to ensure Council's water trading systems are robust and optimised.
- Develop a written report and action plan for presentation to Council's Audit, Risk and Improvement Committee (ARIC) which provides:
 - Details on identified risk, matters of concern and opportunities for enhancement and improvement
 - Recommendations on appropriate risk management strategies and actions to enhance and improve water trading processes and systems, including resources and timeframes.
 - The report must include (but not be limited to) background, objective and scope, approach, exclusions/limitations, overall conclusions, key findings and recommendations and management response.

The scope of the review is to cover the two financial years ending 30 June 2020 and 30 June 2021.

It is Council's intention to commence the project in February 2022.

It is intended that the final report and action plan will be endorsed by Council before the 31 December 2022.

Council will make available at the commencement of the project current policies, resolutions and other documentation to support the review.



INTERNAL AUDIT SCOPE

Leeton Shire Council's Sale of Real Estate

PREPARED BY:
GROUP MANAGER ACTIVATION
DATE: SEPTEMBER 2021
VERSION: DRAFT

1. PROJECT BRIEF

Leeton Shire Council is seeking to:

- Review its current governance, controls and effectiveness in relation to the sale of real estate, including with reference to Council's policies, resolutions and strategic objectives and, where relevant, legislation and best practice.
- Identify any areas of risk arising in relation to sales of real estate.
- Identify enhancements or improvements required to ensure Council's real estate sales systems are robust and optimised.
- Develop a written report and action plan for presentation to Council's Audit, Risk and Improvement Committee (ARIC) which provides:
 - Details on identified risk, matters of concern and opportunities for enhancement and improvement
 - Recommendations on appropriate risk management strategies and actions to enhance and improve Real estate sales processes and systems, including resources and timeframes.
 - The report must include (but not be limited to) background, objective and scope, approach, exclusions/limitations, overall conclusions, key findings and recommendations and management response.

The scope of the review is to cover the four financial years ending 30 June 2018 and 30 June 2021.

It is Council's intention to commence the project in February 2022.

It is intended that the final report and action plan will be endorsed by Council before 31 December 2022.

Council will make available at the details of any relevant the project current policies, resolutions and other documentation to support the review.

LEETON SHIRE COUNCIL
Audit, Risk and Improvement Committee - Thursday 9 September 2021

ITEM 5.6 RECORDS MANAGEMENT AUDIT UPDATE

| | |
|----------------------------|--|
| RECORD NUMBER | 21/252 |
| RELATED FILE NUMBER | EF21/429 |
| AUTHOR/S | Records Officer |
| APPROVER/S | Executive Manager IPR, Governance and Engagement |

SUMMARY/PURPOSE

The purpose of this report is to provide an update on the implementation of actions arising from the Records Management Audit undertaken by Centium Group Pty Ltd on behalf of Council in September 2019.

RECOMMENDATION

THAT the Audit, Risk and Improvement Committee notes for information the status of actions arising from the Records Management Audit.

REPORT

(a) Background

Following endorsement in October 2019 of the Agreed Management Actions contained within the Final Report of the Records Management Audit, Council commenced implementing the priority recommended actions. This process was boosted by the appointment of a Records Officer on 17 February 2020.

Council's Records Officer has had primary responsibility for ensuring implementation of the recommended actions arising from the Records Management Audit and for monitoring progress to ensure actions were completed in a timely fashion.

(b) Discussion

The Records Officer has reviewed and updated Council's Records Management Policy and Procedures to support staff in better records management.

The Draft Records Management Policy has been reviewed by the Senior Management Team (SMT). The SMT endorsed the policy with the inclusion of a reference to the Records Management Procedure. The SMT also commented on the Records Management Procedure, recommending the addition of further details for Councillors or the development of separate procedures written specifically for Councillors.

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Audit, Risk and Improvement Committee - Thursday 9 September 2021

Once the policy and procedures have been amended as requested, they will be returned to SMT for endorsement prior to being tabled at a Council Meeting.

The Records Officer, in collaboration with other relevant Council officers, has also:

- Facilitated the training and support of staff in the use of the records management software program utilised by Council
- Promoted better records management practices across Council
- Provided records management training to new staff as part of their induction
- Reviewed current records and ensured sound categorisation, naming conventions, archiving and disposal
- Identified options for digitising existing hardcopy records.

The implementation of these recommended actions was guided by the agreed priority risk rating.

All the recommended actions have now been undertaken or are being undertaken on an ongoing basis, and the Records Management Audit and the implementation of actions arising from the Audit should now be considered complete.

(c) Options

Nil – This report is for information only.

IMPLICATIONS TO BE ADDRESSED

(a) Financial

Nil

(b) Policy

Audit, Risk and Improvement Charter
Enterprise Risk Management Policy and Plan.

(c) Legislative/Statutory

Internal Audit Guidelines
State Records Act 1998

(d) Risk

Through its action in creating the Records Officer role to facilitate the implementation of actions arising from the Records Management Audit, Council has taken action to mitigate the risks identified through that Audit.

CONSULTATION

(a) External

Nil

LEETON SHIRE COUNCIL

Audit, Risk and Improvement Committee - Thursday 9 September 2021

(b) Internal

All manager, coordinators and officers who deal with Council information have been consulted on their needs.

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)

Under the Key Priority Area THEME 6 – STRONG LEADERSHIP within Council's adopted Delivery Program/Operational Plan – 20 – A community that is always on the front foot – 20a is to Ensure the aspirations of the community are delivered – Operate an efficient and effective Local Government Administration.

ATTACHMENTS

1 [↓](#) Records Management Audit Action Plan Update as at 31 August 2021

Records Management Audit – Action Plan

| Task Name | Responsible Officer | Start | Finish | Comments |
|---|---|-----------|-----------|--|
| Senior Responsible Officer | | | | |
| SMT to select a Senior Responsible Officer as per State Records Authority Standard 12 | General Manager/Senior Management Team | 23/08/19 | 12/09/19 | Advise State Records of change of position – Manager IPR, Governance and Engagement - Senior Responsible Officer under the State Records Authority Standard 12 |
| Advise State Records Authority of SRO appointment | Records Officer | 1/8/2020 | 31/8/2020 | |
| Records Management Policy | | | | |
| Research other councils documentation | Records Officer | 17/02/20 | 30/4/2020 | Policy and Procedure for both Hard Copy and Electronic Records have been drafted for review by Manager prior to going to SMT for adoption. Policy presented to SMT and amendments to be made regarding reference to the procedure and Councillors. Separate procedure to be developed for Councillors. Aim to go to October Council Meeting. |
| Research legislation and terminology | Records Officer | 17/02/20 | 30/6/2020 | |
| Create draft documentation | Records Officer | 01/05/20 | 30/1/2021 | |
| SMT approval | SMT | Ongoing | | |
| Implement policy | Records Officer | | | |
| Roles and Responsibilities | | | | |
| Define key personnel | Records Officer in conjunction with other staff | 17/02/20 | 30/6/2020 | Completed as part of the policy and procedure development and TRIM administration review process. User Types in TRIM have been reviewed and updated to ensure staff have appropriate levels of access and useability of Content Manager as approved by SMT. Security Caveats have also been reviewed and amended accordingly in TRIM. |
| Define roles of key personnel and organisation as a whole | Records Officer in conjunction with other staff | 17/02/20 | 30/6/2020 | |
| Review caveats on Containers to protect against inappropriate access | Records Officer | 1/12/2020 | 2/02/2021 | |
| Incorporate into Policy and Procedure documentation | Records Officer | 1/12/2020 | 2/02/2021 | |
| Consult with key personnel about their responsibilities and the wider organisation | Records Officer in conjunction with other staff | 1/12/2020 | 2/02/2021 | |
| Records Procedures | | | | |
| Version Control | Records Officer/IT | 01/06/20 | 1/03/2021 | Part of the working document and audit process of Content Manager. |
| Naming conventions | Records Officer in conjunction with other staff | 01/06/20 | 2/02/21 | Council Naming Conventions were approved by SMT on 2 February 2021 and distributed to staff at End User Training, they are also available on the intranet. |

Records Management Audit – Action Plan

| | | | | |
|--|---|-----------|-----------|---|
| Develop and distribute Container Catalogue to all staff | Records Officer | 1/12/2020 | 30/6/2021 | File structure has been completed and distributed to staff. Saved in TRIM and can be "viewed" by All Staff |
| Develop process map for use of Content Manager for staff distribution | Records Officer | Ongoing | | Procedures for Electronic and Hard Copy Records – Naming Conventions, Training Manuals |
| Develop process map for tracking of hard copy records | Records Officer | Ongoing | | Procedures for Electronic and Hard Copy Records |
| Software manuals | Records Officer | 01/09/20 | 15/02/21 | All end users were given the training manual, Cheat sheets for TRIM and the Council Naming Conventions for Records. These documents are also available on the Intranet. |
| Training | | | | |
| Provide support staff with training on HP Content Manager administration | People and Organisational Development | 03/12/19 | 04/12/19 | All Council BSO's received HP Content Manager Administration Training in December 2019. |
| Organise small group training sessions - indoor/outdoor/superusers | Records Officer | 1/10/2020 | 15/02/21 | End User Training in Content Manager undertaken in February 2021 with 48 staff attending. |
| Integrate records management training into onboarding process for new staff | People and Organisational Development and Records Officer | Ongoing | | Element of the formal onboarding process, plus formal in depth TRIM Training as budget allows. |
| Promote relevance of Records Management for the organisation and individuals | Executive Manager IPR, Governance and Engagement | Ongoing | | Email reminders, Internal Newsletters/Articles |
| Business Continuity Plan | | | | |
| Update BCP to include hard copy records | Records Officer and Manager WHS, Risk and QA | Ongoing | | BCP – DRAFT - updated to include records management |
| Identify and prioritise records for recovery in the event of emergency | Records Officer | Ongoing | | BCP – DRAFT - updated to include records management. Vital Records Register in development |
| Review risk assessment and rating for records management in ERMS | Executive Manager IPR, Governance and Engagement | Ongoing | | Part of Enterprise Risk management review |

Records Management Audit – Action Plan

| | | | | |
|--|---|----------|----------|--|
| Records Management Resourcing | | | | |
| Develop Position Description for Records Officer | Governance and Corporate Planning Coordinator | 09/09/19 | 20/10/19 | Complete |
| Recruitment process for Records Officer | People and Organisational Development | 01/12/19 | 24/01/20 | Complete |
| Recruit a Records Officer | People and Organisational Development | 23/01/20 | 17/02/20 | Complete |
| State Archive Records | | | | |
| Establish protocols for State Archive identification | Records Officer and Library Coordinator | Ongoing | | Kurrajong Waratah are being used for High Security document disposal. This will be an ongoing process each year (dependent on budget approval) until all hard copy records are archived and disposed of as per legislation. |
| Access current hard copy records for what can be destroyed or sent to State Archives | Records Officer | Ongoing | | |
| Explore options for digitisation program of existing records | Records Officer | Ongoing | | |
| Condition of Records Storage Areas | | | | |
| Maintenance of current storage areas | Records Officer, Building Services Coordinator, Library Coordinator | Ongoing | | Once storage cleanup has been completed the area will be reviewed again. |
| Tracking of Hard Copy Records | | | | |
| Utilise State Records Storage processes | Records Officer | Ongoing | | This will form part of the Procedure for Electronic and Hardcopy Records. Vital Records Register |
| Implement/educate staff on tracking system | Records Officer | Ongoing | | |
| Sentencing of Records | | | | |
| Implement sentencing processes within Content Manager | Records Officer in conjunction with IT | Ongoing | | Currently using GA 10 sentencing guidelines. Once upgraded to version 9.4 of Content Manager, Council will move to GA 39. Budget variation was approved by Council and upgrade to Content Manager 9.4. Integration with other programs (Authority/Laserfiche) is currently in the testing phase. |

ACTIVATION MATTERS

Master Plan for Gogeldrie Weir Recreation Reserve



for
Leeton Shire Council

Adopted by Leeton Shire Council
on

MASTER PLAN

for

GOGELDRIE WEIR RECREATION RESERVE

prepared by



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SEPTEMBER 2021

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EXECUTIVE SUMMARY

Gogeldrie Weir Recreation Reserve is located approximately 24 kilometres west of the township of Leeton. The recreation reserve occupies an area of approximately 3.6 hectares on the banks of the Murrumbidgee River, east of the Gogeldrie Weir structure. The recreation reserve is separated from an adjacent holiday park by a 10-metre-wide easement providing WaterNSW with maintenance access to the weir structure. The recreation reserve is located on the eastern side of the easement, and the holiday park is located to the west. The recreation reserve has frontage to the river above the weir, and the holiday park has frontage to the river below the weir. The reserve is a popular riverside recreation area for the local community. The eastern part of the recreation reserve is located in the Murrumbidgee Valley National Park and includes a public boat ramp that provides water access into the Sturt Canal.

Leeton Shire Council, although not previously the owner of the site, had (informally) managed the Gogeldrie Weir Recreational Facility for many years, firstly as a primitive camping ground and more recently (in 2014) as a caravan park. Council acquired the site from Government Property NSW in December 2015. It was a condition of the purchase that the property be classified as Community land, and that if the land was not classified as Community land, it was to be transferred back to Government Property NSW for the same sum that it was purchased, plus costs.

Tourism Research

Gogeldrie Weir is located in the Riverina region of New South Wales. The Riverina is regional New South Wales' number 10 region for domestic overnight visitors and expenditure, and number 9 for nights. Tourism research and planning for the Riverina region is undertaken by Destination NSW.

Under Destination NSW, Gogeldrie Weir forms part of the Destination Riverina Murray (DRM) Destination Network. In 2018, the Riverina Murray Destination Management Plan (DMP) was prepared to guide and assist DRM to stimulate growth in the region's visitor economy in partnership with Destination NSW, Murray Regional Tourism (MRT), Thrive Riverina, NSW National Parks and Wildlife Service (NPWS), local governments and the tourism industry.

The DMP breaks down the region into subregions. Gogeldrie Weir (as part of Leeton Shire Council) forms part of the Western Riverina subregion, which also includes the Shires of Carrathool, Griffith, Murrumbidgee and Narrandera. Included in the Tier 1 priority projects for this subregion is the Gogeldrie Weir Precinct Development including the installation of new boat ramps, greater mix of accommodation and the expansion of recreational activities.

Based on modelled growth scenarios, the Riverina Murray is expected to grow from 6.5 million visitor nights in 2017, to approximately 8.5 million by 2031, an additional two million visitor nights representing 31% growth.

The redevelopment of Gogeldrie Weir Recreation Reserve will provide a facility which caters for the local community and for increasing visitor numbers to the region.

Design Principles

The broad design principles used to guide the preparation of the Proposed Master Plan are set out below:

- Establish clear separation between the holiday park and the recreation reserve.
- Provide unrestricted public access to the weir structure and recreation reserve.
- Establish continuous public access along the entire river frontage – both above and below the weir.
- Retain maintenance access to the weir structure for WaterNSW.
- Remove perimeter fencing in the recreation reserve and provide a diverse range of recreation facilities to enhance general community use of the reserve.

(i)

- Provide separate toilet facilities for the recreation reserve.
- Provide interpretive signage for the weir and local cultural heritage.
- Provide for future access to the Murrumbidgee Irrigation Area 2 across the Sturt Canal.
- Retain existing quality vegetation, where possible.

Design Features and Proposed Staging

The Proposed Master Plan for Gogeldrie Recreation Reserve contains the following design features:

- Removal of existing fences, providing unrestricted public access to the reserve and foreshore.
- Clearly defined access to the recreation reserve with appropriate signage and car parking.
- Public promenade leading to Gogeldrie Weir, with interpretive signage.
- Upgraded access road to the boat ramp with additional car parking in the recreation reserve.
- Public toilet facility servicing the recreation reserve and boat ramp.
- Upgraded boat ramp, car/trailer parking and adjacent pontoon.
- Open space for community events/activities.
- Establishment of a public beach and pontoons for safe water access and swimming.
- A shaded playground for general community use.
- Pavilion and stage for events and special uses.
- Public walkways with cultural heritage interpretive signage along the entire riverbank.
- Weir viewing platforms, both above and below the weir.
- Upgraded picnic and barbecue facilities throughout the recreation reserve.
- Establishment of informal BMX trails.
- Suspension bridge over the Sturt Canal connecting to trails in the Murrumbidgee Valley National Park.

The proposed development will provide the following benefits to the local community and region and visitors to the Gogeldrie Weir area generally:

- Improved facilities for the local community.
- Greater access to the Murrumbidgee River and foreshore.
- Links to the adjacent National Park.
- A tourist attraction to encourage increased visitation.
- Improved access for tourists.

(ii)

Cost Estimates and Staging

Gogeldrie Weir Recreation Reserve upgrade staging plan

| Project | Unit | Rate | Qty | Total |
|---|----------------|-----------|-------|------------------|
| PRIMARY UPGRADE WORKS | | | | |
| Detailed Design | | | | |
| Detail survey of recreation reserve | | | | \$7,500 |
| Civil design for recreation reserve development (roads, car parking, stormwater, irrigation) | | | | \$20,000 |
| Detailed design for boat ramp extension and pontoon | | | | \$20,000 |
| Detailed design for public toilet building | | | | \$15,000 |
| Preparation of REF and Part 5 assessment including heritage, cultural heritage and bushfire studies | | | | \$30,000 |
| Subtotal for Recreation Reserve Design | | | | \$92,500 |
| Construction | | | | |
| Construct weir promenade with car parking and turnaround area (decomposed granite) | m ² | \$100 | 800 | \$80,000 |
| Install interpretive signage along weir promenade | ea | \$4,000 | 8 | \$32,000 |
| Construct new car park at recreation reserve entrance (2-coat seal, no kerbs) | m ² | \$50 | 800 | \$40,000 |
| Install recreation reserve entry signs | ea | \$2,000 | 2 | \$4,000 |
| Construct access road, car and trailer parking to boat ramp (2-coat seal, no kerbs) | m ² | \$30 | 3,200 | \$96,000 |
| Install new public toilet and waste compound | ea | \$200,000 | 1 | \$200,000 |
| Install irrigation and establish turf cover for entire recreation reserve (1.8 hectares) | site | \$50,000 | 1 | \$50,000 |
| Install new quad barbecue shelters | ea | \$40,000 | 4 | \$160,000 |
| Install new picnic tables and shelters | ea | \$5,000 | 13 | \$65,000 |
| Clean up understory beneath existing tree canopy | ea | \$30,000 | 1 | \$30,000 |
| Construct two weir viewing platforms | ea | \$40,000 | 2 | \$80,000 |
| Install new fish cleaning facilities | ea | \$10,000 | 1 | \$10,000 |
| Install fencing along recreation reserve riverfront area | lm | \$150 | 150 | \$22,500 |
| Construct walking tracks along river foreshore (decomposed granite) | lm | \$50 | 1,000 | \$50,000 |
| Provide cultural heritage interpretive signage along riverside walk | ea | \$5,000 | 6 | \$30,000 |
| Landscaping and tree planting to entire recreation reserve | ea | \$50,000 | 1 | \$50,000 |
| Subtotal for Recreation Reserve Construction | | | | \$999,500 |

(iii)

| Project | Unit | Rate | Qty | Total |
|--|------|-----------|-----|--------------------|
| Subtotal for Primary Upgrade Works | | | | \$1,092,000 |
| Project management @ 5% | | | | \$54,600 |
| Contingency allowance @ 10% | | | | \$109,200 |
| TOTAL FOR PRIMARY UPGRADE WORKS | | | | \$1,255,800 |
| POTENTIAL FUTURE ADDITIONS | | | | |
| Construction and Design | | | | |
| Upgrade existing boat ramp and install pontoon | ea | \$300,000 | 1 | \$300,000 |
| Establish beach area and construct two enclosing platforms | ea | \$150,000 | 1 | \$150,000 |
| Design and construct shaded playground in recreation reserve | ea | \$600,000 | 1 | \$600,000 |
| Detailed design for pavilion building | | | | \$30,000 |
| Construct new pavilion in recreation reserve | ea | \$400,000 | 1 | \$400,000 |
| Subtotal for Potential Future Additions | | | | \$1,480,000 |
| Project management @ 5% | | | | \$74,000 |
| Contingency allowance @ 10% | | | | \$148,000 |
| TOTAL FOR POTENTIAL FUTURE ADDITIONS | | | | \$1,702,000 |
| TOTAL RECREATION RESERVE DEVELOPMENT | | | | \$2,957,800 |

Economic Benefit

Economic impact modelling enables Leeton Shire to explore how change in employment or output (sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.

Using an economic impact model, Council has measured the flow-on impacts to the local economy resulting from the proposed upgrades to the recreation reserve.

Major highlights include the following:

- The combination of all direct, industrial and consumption effects would result in a total estimated rise in output of \$4 million in the Leeton Shire economy, representing a type 2 output multiplier of 1.43.
- The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be \$7.02 million added to Australia's output.
- The combination of all direct, industrial and consumption effects would result in a total estimated increase of 31 jobs located in Leeton Shire. This represents a type 2 employment multiplier of 1.25.
- The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be an addition of 42 jobs.
- The combination of all direct, industrial and consumption effects would result in an estimated addition in value added of \$1.29 million in the Leeton Shire economy, representing a type 2 value-added multiplier of 1.56.
- The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be \$2.56 million added to Australia's value added.

(iv)

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1 INTRODUCTION

1.1 Project Overview

The Gogeldrie Weir Recreation Reserve project is a master planning process to identify and explore the potential of the area to deliver sustainable design solutions that meet the local community's passive recreation desires and stimulate increased visitation to the region.

Key deliverables of the master plan for the recreation reserve are:

- To guide the future use, development and ongoing management of the recreation reserve.
- An attractive and better-defined community recreation area that is complementary to the natural environment.
- A safe community recreation area with the necessary amenities required by day users, including but not limited to grassed areas, fully accessible toilets, barbecues and shade areas.
- A welcoming and fun space for young people and children, including suitable play activities.
- A mix of water-based recreational opportunities, including appropriate and safe boat launching and fish cleaning facilities.
- Facilities that are sympathetic to the environment, multi-use where possible, sustainable, affordable, and robust, requiring minimal servicing.
- An improved interface with the river.
- To undertake comprehensive stakeholder engagement and consultation to inform key design elements.
- To prepare a detailed master plan (report and drawings) detailing all aspects of the proposed master plan and providing a framework for decision making in the ongoing development and improvement of the recreation reserve.
- To present details outlining the benefits to be realised from the redevelopment of the recreation reserve, including financial, amenity and regional growth through tourism or other economic impacts of the proposed plan.

1.2 Project Methodology

Project methodology for the preparation of the master plan is provided below:

a) Site inspection and project inception meeting

Review study areas and all related projects, review outcomes of Council's consultation process, assess site constraints, identify development opportunities and discussion with the Council Committee and Council staff. Meet with National Parks, WaterNSW, current holiday park/recreation reserve management and other stakeholders as necessary. Discuss previous proposals, community attitudes/issues and obtain input on Council ideas for consideration as part of the project.

b) Planning framework review

Review state, regional and local planning legislation, constraints and identify issues for inclusion in the master plan report. Identify any planning pathways required to authorise the proposed development.

c) Detailed site analysis

Using all available information and initial site visit, prepare a detailed site analysis and identify specific design constraints, considerations and opportunities.

d) **Tourism research**

Undertake detailed research of current visitation to the local area and region. Review regional tourism studies to identify key projects and forecast for future tourism growth.

e) **Design options and cost analysis**

Develop design options for the recreation reserve. Prepare cost estimates for implementation of the proposed capital upgrades. Identify ongoing operational costs for the redeveloped recreation reserve.

f) **Prepare draft master plan report**

Present design options with supporting documentation including research, consultation, cost estimates and options for management of the facility.

Plans to include:

- i) Overall master plan;
- ii) Primary upgrade works; and
- iii) Potential implementation.

g) **Council review/public exhibition**

Council to review the draft master plan report and undertake public exhibition (subject to Council determination). Submissions to be collated and included in the final master plan document identifying any changes to the draft plan resulting from the consultation process.

h) **Adoption of the final plan**

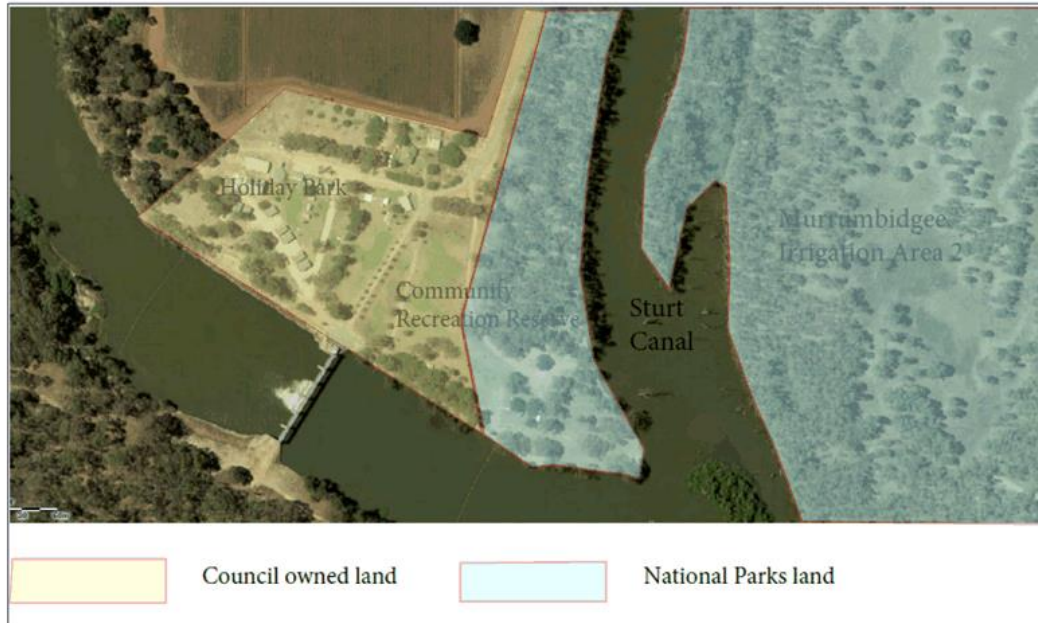
Prepare the final master plan report incorporating changes from Council review and public exhibition.

1.3 Study Areas

Figure 1 illustrates the area relating to the master plan which is partially owned by Council and National Parks. The land (both Council and National Parks) on the western side of the Sturt Canal represents the area of the master plan. The area on the eastern side of the Sturt Canal forms part of the Murrumbidgee Irrigation Area 2, as identified by National Parks.

While the focus of the master plan is on the area west of the Sturt Canal, a footbridge joining the two sides of the canal is included to provide linkages to walkways and cycle tracks in the Murrumbidgee Irrigation Area 2.

Figure 1: Study areas of the master plan identifying land ownership (boundaries are approximate)



2 PLANNING FRAMEWORK

2.1 Introduction

A range of state, regional and local planning controls impact the management and administration of the subject land. Although known locally as the Gogeldrie Weir Community Recreation Area it also includes the Gogeldrie Weir Holiday Park and camping ground. A **recreation area** is a defined use in Leeton Local Environmental Plan 2014 (LEP 2014) but it is not clear that it has ever been approved as a use for this purpose. The site has been approved as a Caravan Park and Camping Ground.

2.2 Subject Land

The holiday park and recreation reserve are located on Lots 2 and 4 DP 1184875, which are owned by Council (Figure 2). The land is classified as Community land and while a plan of management for the land was prepared, there is no evidence to demonstrate that it has been adopted.

Figure 2: Lots 2 and 4 DP 1184875 and surrounding land



Source: SIX Maps (note that the cadastral boundary lines are not aligned with the image)

Council has provided copies of the deposited plan associated with the land parcels (Annexure 1). The deposited plans identify registered easements over both land parcels. The easements are in favour of the State Water Corporation and Water Administration Ministerial Corporation for the purpose of access and underground infrastructure.

2.3 State and Regional Planning Controls

2.3.1 Environmental Planning and Assessment Act 1979

This Act sets the overall framework for strategic planning, zoning of land, land use, environmental assessment and development control. Understanding how the Act applies to particular development can be a complex task. At the outset, it is important to determine the specific applicable planning controls and whether development consent is required for the proposed works.

There are a number of State Environmental Planning Policies (SEPPs) prepared under this Act, and a few have particular relevance to improvements in Gogeldrie Weir Recreation Reserve. Similarly, Leeton Shire Council's local planning controls also have relevance for the future development of the recreation reserve.

2.3.2 State Environmental Planning Policy (Koala Habitat Protection) 2021

This SEPP aims to encourage the conservation and management of areas of natural vegetation that provide habitat for koalas to support a permanent free-living population over their present range and reverse the current trend of koala population decline.

This SEPP applies to the Leeton LGA. If a development application is lodged for works then the SEPP will be triggered as a consideration if the land:

- (a) *has an area of at least 1 hectare (including adjoining land within the same ownership), and*
- (b) *does not have an approved koala plan of management applying to the land.*

If the SEPP is triggered then:

Before a council may grant consent to a development application for consent to carry out development on the land, the council must assess whether the development is likely to have any impact on koalas or koala habitat.

If the council is satisfied that the development is likely to have low or no impact on koalas or koala habitat, the council may grant consent to the development application.

If the council is satisfied that the development is likely to have a higher level of impact on koalas or koala habitat, the council must, in deciding whether to grant consent to the development application, take into account a koala assessment report for the development.

However, the council may grant development consent if the applicant provides to the council—

- (a) *information, prepared by a suitably qualified and experienced person, the council is satisfied demonstrates that the land subject of the development application—*
 - (i) *does not include any trees belonging to the koala use tree species listed in Schedule 2 for the relevant koala management area, or*
 - (ii) *is not core koala habitat, or*
- (b) *information the council is satisfied demonstrates that the land subject of the development application—*
 - (i) *does not include any trees with a diameter at breast height over bark of more than 10 centimetres, or*
 - (ii) *includes only horticultural or agricultural plantations.*

2.3.3 State Environmental Planning Policy (Vegetation in Non-Rural Areas) 2017

This state policy requires consent for vegetation clearing in non-rural areas where it is not otherwise protected by the provisions of an LEP or another SEPP. The SEPP references the Biodiversity Offsets Scheme Threshold, which is a test used to determine when it is necessary to engage an accredited assessor to apply the Biodiversity Assessment Method (the BAM) to assess the impacts of a proposal.

It is used for local developments (development applications submitted to councils) and clearing in urban areas and areas zoned for environmental conservation. The RE1 zone is regarded as an urban zone.

It does not apply to activities by a public authority that are subject to Part 5 of the EP&A Act 1979.

The *Biodiversity Conservation Regulation 2017* sets out threshold levels for when the Biodiversity Offsets Scheme will be triggered. The threshold has two elements:

- Whether the amount of native vegetation being cleared exceeds a threshold area set out below.
- Whether the impacts occur on an area mapped on the Biodiversity Values Map published by the Minister for the Environment.

If clearing and other impacts exceed either trigger, the Biodiversity Offsets Scheme applies to the proposed development, including biodiversity impacts prescribed by clause 6.1 of the *Biodiversity Conservation Regulation 2017*.

| Minimum lot size associated with the property | Threshold for clearing, above which the BAM and Biodiversity Offsets Scheme apply |
|---|---|
| Less than 1 hectare | 0.25 hectares or more |
| 1 hectare to less than 40 hectares | 0.5 hectares or more |
| 40 hectares to less than 1,000 hectares | 1 hectare or more |
| 1,000 hectares or more | 2 hectares or more |

The subject land does not have a minimum lot size. The OEH website advises that in this circumstance: "Where there is no minimum lot size the clearing threshold will be based on the smallest actual lot size associated with the development." Given that the smallest lot is Lot 4 and it has an area of approximately 0.7 hectares then the clearing threshold will be 0.25 hectares.

In this case, if the vegetation clearing is associated with a future development application then it will be ancillary to that approval and will be assessed on merit as part of any approval. If vegetation clearing is associated with an activity under Part 5 then it will be assessed in a Review of Environmental Factors.

It is anticipated that any tree clearing on this site will be minor and it should be kept to less than 0.25 hectares.

The subject land does not contain any areas identified on the NSW Biodiversity Values Map (Figure 3).

Figure 3: Biodiversity Values Map and Threshold Tool



Source: NSW Government

2.3.4 State Environmental Planning Policy (Infrastructure) 2007

Clause 65(3) of SEPP (Infrastructure) 2007 states that:

Any of the following development may be carried out by or on behalf of a council without consent on a public reserve under the control of or vested in the council:

- (a) *development for any of the following purposes:*
 - (i) *roads, pedestrian pathways, cycleways, single storey car parks, ticketing facilities, viewing platforms and pedestrian bridges,*
 - (ii) *recreation areas and recreation facilities (outdoor), but not including grandstands,*
 - (iii) *visitor information centres, information boards and other information facilities,*
 - (iv) *lighting, if light spill and artificial sky glow is minimised in accordance with the Lighting for Roads and Public Spaces Standard,*
 - (v) *landscaping, including landscape structures or features (such as art work) and irrigation systems,*
 - (vi) *amenities for people using the reserve, including toilets and change rooms,*
 - (vii) *food preparation and related facilities for people using the reserve,*
 - (viii) *maintenance depots,*
 - (ix) *portable lifeguard towers,*
- (b) *environmental management works,*

- (c) *demolition of buildings (other than any building that is, or is part of, a State or local heritage item or is within a heritage conservation area).*

Note—

*The term **building** is defined in the Environmental Planning and Assessment Act 1979 as including any structure. (However, it does not include a manufactured home.)*

In this case, if all works are being carried out by or on behalf of the Council on a public reserve under the control of the Council then this SEPP may apply.

SEPP (Infrastructure) 2007 prevails over *Leeton Local Environmental Plan 2014*, but any works that are undertaken without development consent will be subject to a Review of Environmental Factors (REF) prepared under Part 5 of the EP&A Act 1979.

2.3.5 The Riverina Murray Regional Plan 2036

This plan identifies the Riverina Murray region as a leading and highly diversified economy with growing local job opportunities and sustainable communities. Gogeldrie Weir Recreation Reserve (in the Leeton LGA) is centrally located in the heart of the Riverina on the Murrumbidgee River. Leeton's economy is primarily driven by agriculture, with citrus, rice, grapes and wheat important commodities. The Shire is home to the Sunrice Headquarters, Berri Juices, Swift Beef Cattle Feedlot, Freedom Foods and Murrumbidgee Irrigation, and is an important education centre for the Riverina Murray region. The plan states that a key priority for the LGA is to "Create a diversity of jobs by promoting tourism opportunities."

A master plan for Gogeldrie Weir Recreation Reserve that supports the local community and boosts tourism while ensuring no negative impacts on the Murrumbidgee River would be consistent with the Riverina Murray Regional Plan.

2.4 Local Planning Context

Leeton Local Environmental Plan 2014 (LEP 2014) applies to the development, improvement and management of Gogeldrie Weir Recreation Reserve. Under the provisions of LEP 2014, the recreation reserve is within the RE1 Public Recreation zone (Figure 4).

Zone RE1 Public Recreation

1 Objectives of zone

- *To enable land to be used for public open space or recreational purposes.*
- *To provide a range of recreational settings and activities and compatible land uses.*
- *To protect and enhance the natural environment for recreational purposes.*
- *To encourage the development of public open spaces in a way that addresses the community's diverse recreation needs.*

2 Permitted without consent

Environmental protection works; Roads; Water reticulation systems

3 Permitted with consent

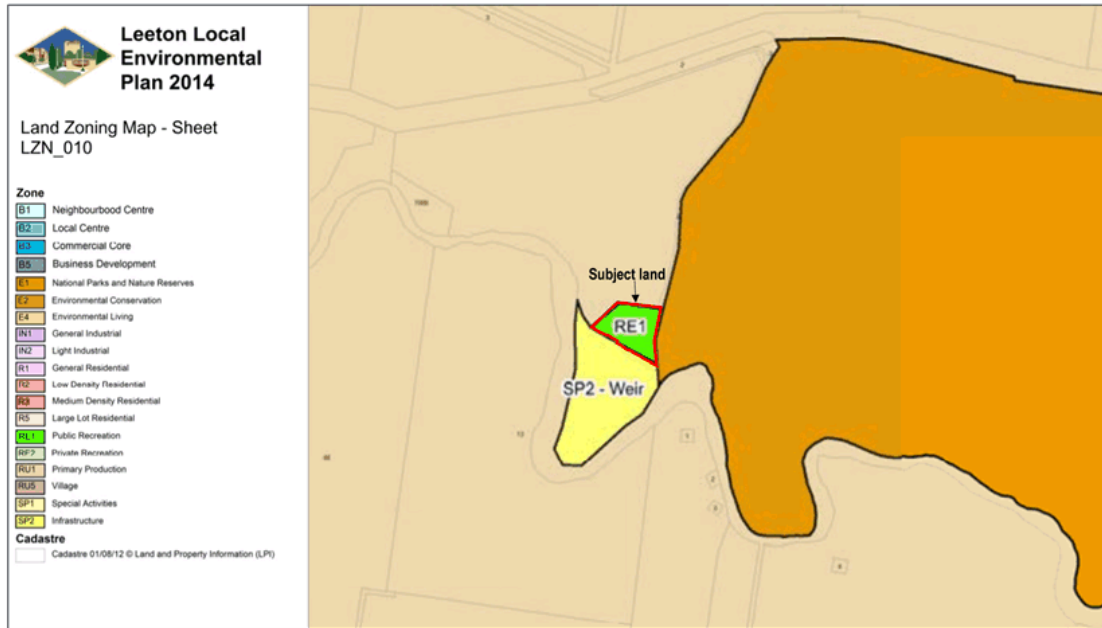
Advertising structures; Aquaculture; Boat launching ramps; Boat sheds; Building identification signs; Business identification signs; Centre-based child care facilities; Charter and tourism boating facilities; Community facilities; Entertainment facilities; Environmental facilities; Flood mitigation works; Food and drink premises; Function centres; Information and education facilities; Kiosks; Markets; Recreation areas;

Recreation facilities (indoor); Recreation facilities (major); Recreation facilities (outdoor); Respite day care centres; Water recreation structures; Water recycling facilities; Water supply systems

4 Prohibited

Pubs; Take away food and drink premises; Water treatment facilities; Any other development not specified in item 2 or 3

Figure 4: Land use zones



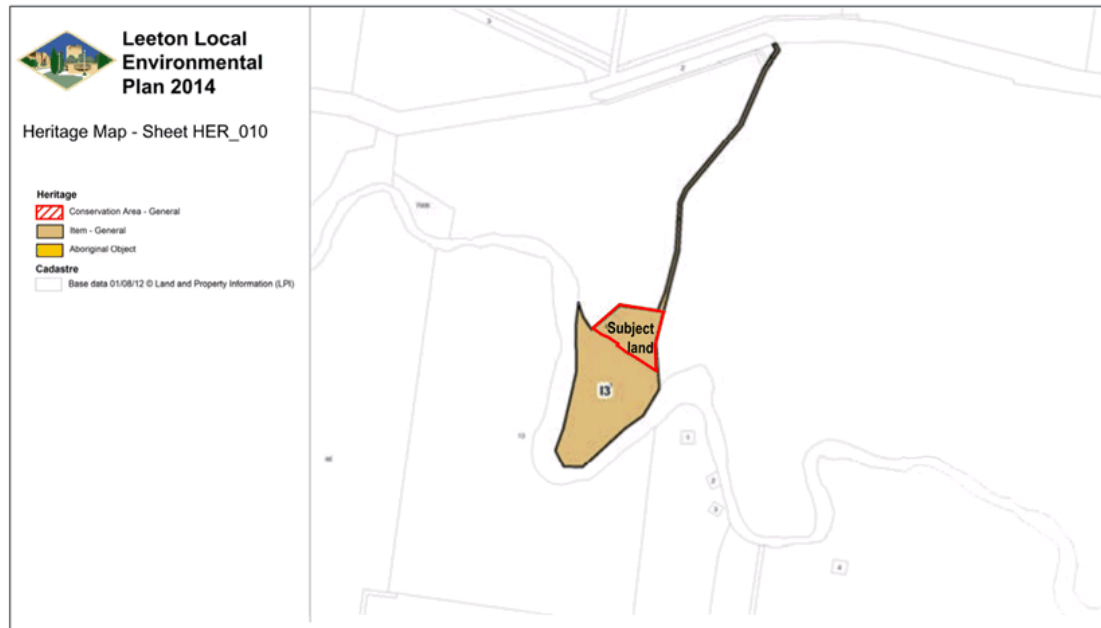
Source: Leeton LEP 2014

2.4.1 Planning Issues

Heritage

Gogeldrie Weir is listed in Leeton LEP 2014 as a state significant heritage item (Figure 5). The listing specifically includes the two lots on which the recreation reserve is located.

Figure 5: Heritage area



Source: Leeton LEP 2014

NSW OEH listing states the following:

Gogeldrie Weir is associated with the Coleambally Irrigation Area and also part of the Murrumbidgee Irrigation Area. It was completed in 1959. It is a major component in the Coleambally Irrigation Scheme being the diversion weir that controls and diverts water from the Murrumbidgee River to the Coleambally area. The weir is a landmark in the region. (DLWC S170 Register). The Gogeldrie Weir is one of seven major weirs on the Murrumbidgee River. It is approximately 63 kilometres downstream of Narrandera. The weir is 85.34m (280') between abutments. The weir structure comprises concrete sill floor reinforced with steel sheet piling cut-off walls, the floor is surmounted by concrete piers and steel superstructure providing supports for the steel sluice gates. There are six gates each measuring 6.1m (20') high and 12.2m (40') wide, weighing 24 tonnes. The gates are opened individually by electric motors placed centrally between piers. The gates move vertically and the counterweights drop into the counterweight wells allowed for in each of the concrete piers. The original gate control meter has been replaced by computerised meter in 1996. The weir provides a pool level suitable for the diversion of water from the Murrumbidgee River into Coleambally Canal supplying the Coleambally Irrigation Area, and via Coononcoocabil Lagoon into the Stuart Canal to supply part of the Murrumbidgee Irrigation Areas and associated irrigation districts.

Consideration would have to be given to any development in proximity to the item. Leeton LEP 2014 clause 5.10 would need to be addressed.

5.10 Heritage conservation

(1) **Objectives** The objectives of this clause are as follows—

- (a) to conserve the environmental heritage of Leeton,
- (b) to conserve the heritage significance of heritage items and heritage conservation areas, including associated fabric, settings and views,

- (c) *to conserve archaeological sites,*
- (d) *to conserve Aboriginal objects and Aboriginal places of heritage significance.*
- (2) **Requirement for consent** *Development consent is required for any of the following—*
 - (a) *demolishing or moving any of the following or altering the exterior of any of the following (including, in the case of a building, making changes to its detail, fabric, finish or appearance)—*
 - (i) *a heritage item,*
 - (ii) *an Aboriginal object,*
 - (iii) *a building, work, relic or tree within a heritage conservation area,*
 - (b) *altering a heritage item that is a building by making structural changes to its interior or by making changes to anything inside the item that is specified in Schedule 5 in relation to the item,*
 - (c) *disturbing or excavating an archaeological site while knowing, or having reasonable cause to suspect, that the disturbance or excavation will or is likely to result in a relic being discovered, exposed, moved, damaged or destroyed,*
 - (d) *disturbing or excavating an Aboriginal place of heritage significance,*
 - (e) *erecting a building on land—*
 - (i) *on which a heritage item is located or that is within a heritage conservation area, or*
 - (ii) *on which an Aboriginal object is located or that is within an Aboriginal place of heritage significance,*
 - (f) *subdividing land—*
 - (i) *on which a heritage item is located or that is within a heritage conservation area, or*
 - (ii) *on which an Aboriginal object is located or that is within an Aboriginal place of heritage significance.*
- (3) **When consent not required** *However, development consent under this clause is not required if—*
 - (a) *the applicant has notified the consent authority of the proposed development and the consent authority has advised the applicant in writing before any work is carried out that it is satisfied that the proposed development—*
 - (i) *is of a minor nature or is for the maintenance of the heritage item, Aboriginal object, Aboriginal place of heritage significance or archaeological site or a building, work, relic, tree or place within the heritage conservation area, and*
 - (ii) *would not adversely affect the heritage significance of the heritage item, Aboriginal object, Aboriginal place, archaeological site or heritage conservation area, or*
 - (b) *the development is in a cemetery or burial ground and the proposed development—*
 - (i) *is the creation of a new grave or monument, or excavation or disturbance of land for the purpose of conserving or repairing monuments or grave markers, and*

- (ii) *would not cause disturbance to human remains, relics, Aboriginal objects in the form of grave goods, or to an Aboriginal place of heritage significance, or*
 - (c) *the development is limited to the removal of a tree or other vegetation that the Council is satisfied is a risk to human life or property, or*
 - (d) *the development is exempt development.*
- (4) **Effect of proposed development on heritage significance** *The consent authority must, before granting consent under this clause in respect of a heritage item or heritage conservation area, consider the effect of the proposed development on the heritage significance of the item or area concerned. This subclause applies regardless of whether a heritage management document is prepared under subclause (5) or a heritage conservation management plan is submitted under subclause (6).*
- (5) **Heritage assessment** *The consent authority may, before granting consent to any development—*
 - (a) *on land on which a heritage item is located, or*
 - (b) *on land that is within a heritage conservation area, or*
 - (c) *on land that is within the vicinity of land referred to in paragraph (a) or (b),**require a heritage management document to be prepared that assesses the extent to which the carrying out of the proposed development would affect the heritage significance of the heritage item or heritage conservation area concerned.*
- (6) **Heritage conservation management plans** *The consent authority may require, after considering the heritage significance of a heritage item and the extent of change proposed to it, the submission of a heritage conservation management plan before granting consent under this clause.*
- (7) **Archaeological sites** *The consent authority must, before granting consent under this clause to the carrying out of development on an archaeological site (other than land listed on the State Heritage Register or to which an interim heritage order under the Heritage Act 1977 applies)—*
 - (a) *notify the Heritage Council of its intention to grant consent, and*
 - (b) *take into consideration any response received from the Heritage Council within 28 days after the notice is sent.*
- (8) **Aboriginal places of heritage significance** *The consent authority must, before granting consent under this clause to the carrying out of development in an Aboriginal place of heritage significance—*
 - (a) *consider the effect of the proposed development on the heritage significance of the place and any Aboriginal object known or reasonably likely to be located at the place by means of an adequate investigation and assessment (which may involve consideration of a heritage impact statement), and*
 - (b) *notify the local Aboriginal communities, in writing or in such other manner as may be appropriate, about the application and take into consideration any response received within 28 days after the notice is sent.*
- (9) **Demolition of nominated State heritage items** *The consent authority must, before granting consent under this clause for the demolition of a nominated State heritage item—*
 - (a) *notify the Heritage Council about the application, and*

- (b) *take into consideration any response received from the Heritage Council within 28 days after the notice is sent.*
- (10) **Conservation incentives** *The consent authority may grant consent to development for any purpose of a building that is a heritage item or of the land on which such a building is erected, or for any purpose on an Aboriginal place of heritage significance, even though development for that purpose would otherwise not be allowed by this Plan, if the consent authority is satisfied that—*
 - (a) *the conservation of the heritage item or Aboriginal place of heritage significance is facilitated by the granting of consent, and*
 - (b) *the proposed development is in accordance with a heritage management document that has been approved by the consent authority, and*
 - (c) *the consent to the proposed development would require that all necessary conservation work identified in the heritage management document is carried out, and*
 - (d) *the proposed development would not adversely affect the heritage significance of the heritage item, including its setting, or the heritage significance of the Aboriginal place of heritage significance, and*
 - (e) *the proposed development would not have any significant adverse effect on the amenity of the surrounding area.*

Aboriginal Cultural Heritage

The land is not listed in the NSW AHIMS register as containing an Aboriginal heritage site. A search using a 200-metre buffer was undertaken for Lots 2 and 4 DP 1184875 and these are included at Annexure 2.

Any application that disturbs the ground or mature vegetation will need to be mindful of the possibility of disturbing Aboriginal sites. If sites or objects are present or found at any time in the future, they are protected under the *National Parks and Wildlife Act 1974*, even if they are not recorded on AHIMS. The *Due Diligence Code of Practice for the Protection of Aboriginal Objects in New South Wales* (Due Diligence Code of Practice) can be used by individuals or organisations who intend to undertake activities that could harm Aboriginal objects.

Other clauses in Leeton LEP 2014 that would need to be addressed if a development application for improvements to the recreation reserve were permitted on the subject land are as follows:

Clause 6.1 Earthworks

- (1) *The objective of this clause is to ensure that earthworks for which development consent is required will not have a detrimental impact on environmental functions and processes, neighbouring uses, cultural or heritage items or features of the surrounding land.*
- (2) *Development consent is required for earthworks unless—*
 - (a) *the earthworks are exempt development under this Plan or another applicable environmental planning instrument, or*
 - (b) *the earthworks are ancillary to development that is permitted without consent under this Plan or to development for which development consent has been given.*

- (3) *Before granting development consent for earthworks (or for development involving ancillary earthworks), the consent authority must consider the following matters—*
- (a) *the likely disruption of, or any detrimental effect on, drainage patterns and soil stability in the locality of the development,*
 - (b) *the effect of the development on the likely future use or redevelopment of the land,*
 - (c) *the quality of the fill or the soil to be excavated, or both,*
 - (d) *the effect of the development on the existing and likely amenity of adjoining properties,*
 - (e) *the source of any fill material and the destination of any excavated material,*
 - (f) *the likelihood of disturbing relics,*
 - (g) *the proximity to, and potential for adverse impacts on, any waterway, drinking water catchment or environmentally sensitive area,*
 - (h) *any appropriate measures proposed to avoid, minimise or mitigate the impacts of the development.*

Note—

The National Parks and Wildlife Act 1974, particularly section 86, deals with harming Aboriginal objects.

Clause 6.2 Flood planning

- (1) *The objectives of this clause are as follows—*
- (a) *to minimise the flood risk to life and property associated with the use of land,*
 - (b) *to allow development on land that is compatible with the land's flood hazard, taking into account projected changes as a result of climate change,*
 - (c) *to avoid significant adverse impacts on flood behaviour and the environment.*
- (2) *This clause applies to—*
- (a) *land identified as "Flood planning area" on the Flood Planning Map, and*
 - (b) *other land at or below the flood planning level.*
- (3) *Development consent must not be granted to development on land to which this clause applies unless the consent authority is satisfied that the development—*
- (a) *is compatible with the flood hazard of the land, and*
 - (b) *will not significantly adversely affect flood behaviour resulting in detrimental increases in the potential flood affectation of other development or properties, and*
 - (c) *incorporates appropriate measures to manage risk to life from flood, and*
 - (d) *will not significantly adversely affect the environment or cause avoidable erosion, siltation, destruction of riparian vegetation or a reduction in the stability of river banks or watercourses, and*
 - (e) *is not likely to result in unsustainable social and economic costs to the community as a consequence of flooding.*

(4) A word or expression used in this clause has the same meaning as it has in the *Floodplain Development Manual* (ISBN 0 7347 5476 0) published by the NSW Government in April 2005, unless it is otherwise defined in this clause.

(5) In this clause—

Land at or below the flood planning level means the level of a 1:100 ARI (average recurrent interval) flood event plus 0.5 metre freeboard.

Figure 6 illustrates that the whole site is identified as flood prone. Specialist advice will be required to enable a design response to the flood heights, hazard rating and flood velocity for any proposed development of the recreation reserve.

Figure 6: Flood planning area



Source: Leeton LEP 2014

Clause 6.3 Terrestrial biodiversity

(1) The objective of this clause is to maintain terrestrial biodiversity by—

- (a) protecting native fauna and flora, and
- (b) protecting the ecological processes necessary for their continued existence, and
- (c) encouraging the conservation and recovery of native fauna and flora and their habitats.

(2) This clause applies to land identified as "Biodiversity" on the Terrestrial Biodiversity Map.

- (3) *In deciding whether to grant development consent for development on land to which this clause applies, the consent authority must consider—*
 - (a) *whether the development is likely to have—*
 - (i) *any adverse impact on the condition, ecological value and significance of the fauna and flora on the land, and*
 - (ii) *any adverse impact on the importance of the vegetation on the land to the habitat and survival of native fauna, and*
 - (iii) *any potential to fragment, disturb or diminish the biodiversity structure, function and composition of the land, and*
 - (iv) *any adverse impact on the habitat elements providing connectivity on the land, and*
 - (b) *any appropriate measures proposed to avoid, minimise or mitigate the impacts of the development.*
- (4) *Development consent must not be granted to development on land to which this clause applies unless the consent authority is satisfied that—*
 - (a) *the development is designed, sited and will be managed to avoid any significant adverse environmental impact, or*
 - (b) *if that impact cannot be reasonably avoided by adopting feasible alternatives—the development is designed, sited and will be managed to minimise that impact, or*
 - (c) *if that impact cannot be minimised—the development will be managed to mitigate that impact.*

The western edge of Lot 4 is impacted by this clause (Figure 7).

Figure 7: Land identified as "Biodiversity" on the Terrestrial Biodiversity Map



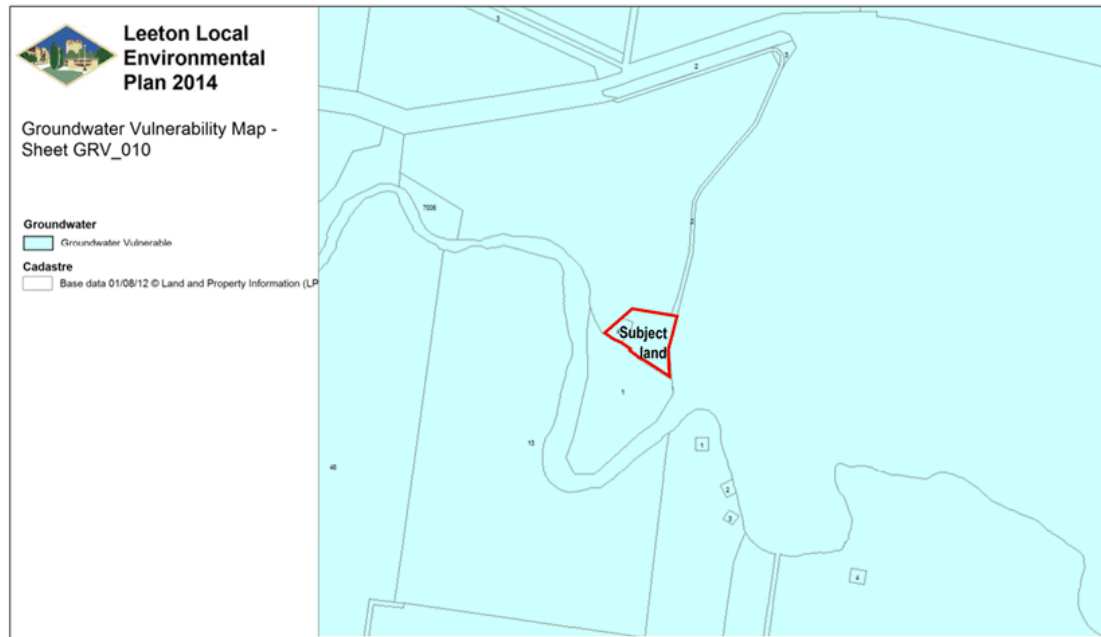
Source: Leeton LEP 2014

Clause 6.4 Groundwater vulnerability

- (1) *The objectives of this clause are as follows—*
 - (a) *to maintain the hydrological functions of key groundwater systems,*
 - (b) *to protect vulnerable groundwater resources from depletion and contamination as a result of development.*
- (2) *This clause applies to land identified as “Groundwater vulnerable” on the Groundwater Vulnerability Map.*
- (3) *In deciding whether to grant development consent for development on land to which this clause applies, the consent authority must consider the following—*
 - (a) *the likelihood of groundwater contamination from the development (including from any on-site storage or disposal of solid or liquid waste and chemicals),*
 - (b) *any adverse impacts the development may have on groundwater dependent ecosystems,*
 - (c) *the cumulative impact the development may have on groundwater (including impacts on nearby groundwater extraction for a potable water supply or stock water supply),*
 - (d) *any appropriate measures proposed to avoid, minimise or mitigate the impacts of the development.*
- (4) *Development consent must not be granted to development on land to which this clause applies unless the consent authority is satisfied that—*
 - (a) *the development is designed, sited and will be managed to avoid any significant adverse environmental impact, or*
 - (b) *if that impact cannot be reasonably avoided—the development is designed, sited and will be managed to minimise that impact, or*
 - (c) *if that impact cannot be minimised—the development will be managed to mitigate that impact.*

The whole site is impacted by this clause (Figure 8).

Figure 8: Land identified as "vulnerable" on the Groundwater Vulnerability Map



Source: Leeton LEP 2014

2.4.2 Bushfire

Council does not have bushfire mapping for the area. However, a search of the NSW Rural Fire Service website identifies that the subject land is within a designated bushfire prone area (Figure 9). Any development application for the development of the recreation reserve may be referred to the bushfire authority (RFS) as integrated development. In order to proceed, a *bush fire safety authority* is required to authorise development for a purpose referred to in subsection (1) to the extent that it complies with standards regarding setbacks, provision of water supply and other matters considered by the Commissioner to be necessary to protect persons, property or the environment from danger that may arise from a bushfire.

A specialist report from a qualified bushfire consultant would be required to support the application. Should future development be assessed under Part 5 of the EP&A Act, consideration of the impacts of bushfire would form part of the Review of Environmental Factors (REF).

Figure 9: Bushfire mapping (Crown and Council land)



Source: NSW Rural Fire Service (note that the cadastral boundaries are not aligned with the image)

2.4.3 Leeton Development Control Plan

There is currently no development control plan for Leeton Shire Council.

2.5 Summary

The proposed redevelopment of Gogeldrie Weir Recreation Reserve is subject to a number of statutory controls.

The site is significantly impacted by both flooding and bushfire, and is heritage listed; therefore, specialist reports will be required to determine and support the design footprint and intensity of development.

Future redevelopment to implement a master plan may trigger the requirement for a development application or it may be able to be dealt with as an activity pursuant to SEPP (Infrastructure) under Part 5 of the EP&A Act 1979. It is a fundamental requirement that prior to undertaking work in the recreation reserve, a Review of Environment Factors or Statement of Environment Effects is prepared. The path to be taken will depend on the type and extent of works involved.

3 BUSINESS CONTEXT

3.1 Introduction

Tourism 2020 is a whole-of-government and industry long-term strategy to build the resilience and competitiveness of Australia's tourism industry and grow its economic contribution.

The *Tourism 2020* goal was to achieve more than \$115 billion in overnight spend by 2020 (up from \$70 billion in 2009). At 30 June 2019, overnight visitor expenditure was on target to reach \$134 billion by 2020, and work had commenced on the *Tourism 2030 Strategy*.¹

Then the COVID-19 pandemic took hold. Within months international borders closed, airlines grounded passenger fleets, businesses collapsed and hotels went into hibernation. Demand slumped in lockstep as travellers cut short their trips to seek sanctuary in their home countries.

Following a long period of uncertainty and the commencement of vaccinations, expectations are for a strong domestic recovery, in particular; while overseas travel undertakes a lengthy recovery. The International Air Transport Association reports that air passenger numbers will not return to 2019 levels until 2023–24. However, there still remains the threat of future waves of infections, which brings uncertainty to forecasting future tourism growth and domestic travel.

When analysing who spends what and where in Australian tourism, two key facts stand out from the 2019 data. Firstly, Australians travelling internationally spent \$26 billion more overseas than overseas visitors spent in Australia. Secondly, domestic travellers already outspend international visitors in Australia by a ratio of more than 2:1.

While the future behaviour of those travellers who would have otherwise holidayed overseas is unknown, the level of expenditure in previous years demonstrates the capacity for some of this expenditure to prop up the domestic tourism market.²

3.2 NSW Tourism

To avoid the inconsistencies on tourism performance produced by COVID-19, the focus of data in this section of the report relates to 2019.

In the twelve months to December 2019, total travel expenditure in New South Wales (NSW) reached \$43.3 billion, an increase of 11.3% from December 2018. Domestic overnight tourism experienced strong growth compared to year ending December 2018, with total expenditure increasing by 12.8%, reaching \$23.8 billion in year ending December 2019.³

When compared to other Australian states, NSW continued to attract the highest number of domestic overnight visitors, receiving 33.2% of national market share, equating to 39 million domestic visitors in the year to December 2019. Regional NSW had the lion share of all visitors to NSW (63%), while Sydney had higher shares of visitor nights and expenditure in NSW (53% and 53%, respectively).

Some key statistics regarding NSW visitors include:

- The average length of stay in NSW was 3.1 nights and average spend per night was \$193.
- 'Holiday' was the largest purpose of visit to NSW (38%), followed by 'Visiting Friends and Relatives' (36%) and 'Business' (21%).
- 22% of the domestic overnight visitors were aged 15–29 years, followed by 50–59 years old (18%) and 30–39 years old (17%).

¹ State of the Industry 2018–19, Tourism Research Australia, Canberra.

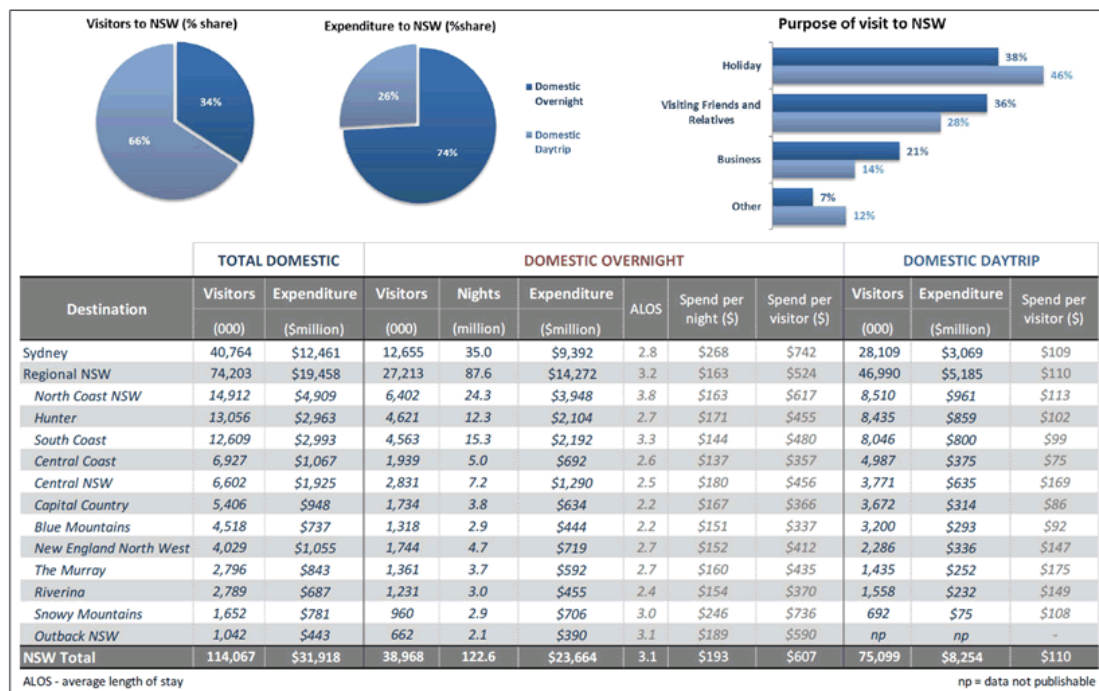
² Moving Forward: The Role of Domestic Travel in Australia's Tourism Recovery, Tourism Research Australia.

³ The NSW Visitor: Combined Results (International, Domestic Overnight and Daytrip), Year Ending December 2019, Destination NSW.

- 'Unaccompanied Traveller' (34%) was the most common travel party among visitors to NSW, followed by 'Adult Couple' (25%) then 'Friends and Relatives Travelling Together' (20%) and 'Family Groups with Children' (15%).

From YE December 2014 to YE December 2019, domestic overnight visitors, nights and expenditure in NSW recorded the following changes: up 47.1%, up 43.2% and up 58.1%, respectively.⁴

Figure 10: Visitation, purpose of visit and destination of domestic visitors to NSW for YE December 2019



Source: Domestic Travel to NSW Snapshot, year ending December 2019, Destination NSW

The visitor economy supply chain generates added economic multipliers, which means every dollar spent on tourism generates an additional 87 cents in other parts of the economy. At 1.87, tourism's multiplier is greater than retail trade (1.77) and mining (1.7).⁵

The Australian Accommodation Monitor for 2018–19, produced by STR Global and published by Destination NSW, reports a room occupancy rate of 78% for accommodation properties in New South Wales with ten or more rooms.⁶ The rate for the Riverina region was 68.1% and for holiday parks 52.4%. The snapshot also provides information on average daily room rates (revenue per occupied room) and the revenue per available room. Respective data for each quarter is provided in Figure 11 and Figure 12.

⁴ NSW Visitation International, Domestic Overnight and Daytrip, Year Ending December 2019, Destination NSW.

⁵ State of the Industry, June 2016, Tourism Research Australia.

⁶ Australian Accommodation Monitor 2018–2019, Destination NSW.

Figure 11: Supply, demand and revenue for establishments with 10 or more rooms by region

| | YE | SUPPLY | | | DEMAND | | REVENUE | | |
|-------------------------------|---------|----------------|--------|-----------------------------|----------------------------|---------------------|----------------------------|--------------------|---|
| | | Establishments | Rooms | Room nights available (000) | Room nights occupied (000) | Room occupancy rate | Takings from accommodation | Average daily rate | Revenue per available room ³ |
| | | no. | no. | no. | no. | % | \$ millions | \$ | \$ |
| NSW | 2018-19 | 1,793 | 89,289 | 32,425 | 25,298 | 78.0% | 5,383 | 212.8 | 166.0 |
| | % ch | 0.5% | 1.6% | 2.3% | 1.0% | -1 ppts | -0.9% | -4.1 | -5.4 |
| Sydney | 2018-19 | 411 | 43,835 | 15,913 | 13,270 | 83.4% | 2,958 | 222.9 | 185.9 |
| | % ch | 1.2% | 2.0% | 3.9% | 2.1% | -1.5 ppts | -0.7% | -6.2 | -8.6 |
| Blue Mountains | 2018-19 | 33 | 1,427 | 522 | 320 | 61.3% | 95 | 297.7 | 182.5 |
| | % ch | 0.0% | -0.3% | -0.1% | -0.5% | -0.2 ppts | 4.9% | 15.4 | 8.8 |
| Capital Country | 2018-19 | 62 | 2,111 | 769 | 421 | 54.7% | 66 | 155.9 | 85.3 |
| | % ch | 0.0% | 0.2% | 1.4% | 1.2% | -0.1 ppts | 4.5% | 5.0 | 2.6 |
| Central Coast | 2018-19 | 49 | 2,074 | 759 | 502 | 66.1% | 98 | 195.8 | 129.5 |
| | % ch | 0.0% | -0.5% | -0.2% | -2.3% | -1.4 ppts | -2.6% | -0.5 | -3.2 |
| Central NSW | 2018-19 | 154 | 4,613 | 1,672 | 1,060 | 63.4% | 153 | 144.4 | 91.5 |
| | % ch | 0.0% | 1.6% | 0.9% | 1.4% | 0.3 ppts | 4.6% | 4.4 | 3.2 |
| Hunter | 2018-19 | 167 | 7,063 | 2,525 | 1,696 | 67.2% | 317 | 187.1 | 125.7 |
| | % ch | 1.8% | 4.8% | 2.3% | 1.1% | -0.8 ppts | 2.7% | 2.9 | 0.6 |
| New England North West | 2018-19 | 131 | 3,401 | 1,241 | 691 | 55.7% | 103 | 149.5 | 83.2 |
| | % ch | 0.0% | 0.0% | 0.0% | 1.1% | 0.6 ppts | 2.2% | 1.6 | 1.8 |
| North Coast NSW | 2018-19 | 323 | 10,255 | 3,740 | 2,457 | 65.7% | 444 | 180.7 | 118.7 |
| | % ch | 0.0% | 0.3% | -0.1% | 5.1% | 3.2 ppts | 12.6% | 12.0 | 13.3 |
| Outback NSW | 2018-19 | 22 | 663 | np | np | np | np | np | np |
| | % ch | 0.0% | 0.0% | - | - | - | - | - | - |
| Riverina | 2018-19 | 68 | 2,229 | 813 | 554 | 68.1% | 78 | 140.6 | 95.8 |
| | % ch | 0.0% | 0.1% | 0.1% | 1.1% | 0.7 ppts | 2.7% | 2.1 | 2.4 |
| Snowy Mountains | 2018-19 | 69 | 2,480 | 894 | 367 | 41.1% | 72 | 195.8 | 80.4 |
| | % ch | 0.0% | 0.5% | 0.5% | -5.4% | -2.6 ppts | -6.4% | -2.1 | -6.0 |
| South Coast | 2018-19 | 191 | 5,525 | 2,015 | 1,332 | 66.1% | 238 | 178.3 | 117.9 |
| | % ch | 0.5% | 0.3% | 0.2% | -0.8% | -0.7 ppts | 0.3% | 2.1 | 0.1 |
| The Murray | 2018-19 | 113 | 3,613 | 1,318 | 758 | 57.5% | 101 | 133.9 | 77.0 |
| | % ch | 0.0% | 0.5% | 4.0% | 1.4% | -1.5 ppts | -1.1% | -3.3 | -4.0 |

Source: Australian Accommodation Monitor 2018-19, Destination NSW

Figure 12: Supply, demand and revenue for establishments with 10 or more rooms by category

| NSW | YE | SUPPLY | | | DEMAND | | REVENUE | | |
|---|---------|-----------------|--------|-----------------------------|----------------------------|---------------------|----------------------------|--------------------|---|
| | | Establish-ments | Rooms | Room nights available (000) | Room nights occupied (000) | Room occupancy rate | Takings from accommodation | Average daily rate | Revenue per available room ³ |
| | | no. | no. | no. | no. | % | \$ millions | \$ | \$ |
| TOTAL | 2018-19 | 1,793 | 89,289 | 32,425 | 25,298 | 78.0% | 5,383 | 212.8 | 166.0 |
| | % ch | 3.0% | 2.8% | 2.3% | 1.0% | -1 ppts | -0.9% | -4.1 | -5.4 |
| Hotels & Resorts | 2018-19 | 524 | 44,655 | 16,152 | 12,886 | 79.8% | 2,845 | 220.8 | 176.2 |
| | % ch | 2.5% | 3.9% | 3.6% | 2.3% | -1 ppts | 0.6% | -3.8 | -5.3 |
| Motels/Private Hotels/Guest Houses | 2018-19 | 907 | 24,940 | 9,104 | 6,205 | 68.2% | 978 | 157.6 | 107.4 |
| | % ch | 2.4% | 0.5% | 0.2% | -3.3% | -2.5 ppts | -3.6% | -0.4 | -4.2 |
| Serviced Apartments | 2018-19 | 202 | 14,561 | 5,304 | 4,314 | 81.3% | 917 | 212.7 | 173.0 |
| | % ch | 3.6% | 0.3% | 2.1% | 0.7% | -1.2 ppts | -3.0% | -8.1 | -9.2 |
| Holiday Parks | 2018-19 | 160 | 5,133 | 1,865 | 972 | 52.1% | 155 | 159.1 | 82.9 |
| | % ch | 8.1% | 12.7% | 2.1% | 4.2% | 1.1 ppts | 9.9% | 8.2 | 5.9 |
| Luxury & Upper Upscale Classes | 2018-19 | 152 | 19,377 | 7,017 | 5,950 | 84.8% | 1,693 | 284.6 | 241.3 |
| | % ch | -3.2% | -1.7% | 3.6% | 3.4% | -0.2 ppts | 0.8% | -7.4 | -6.8 |
| Hotels & Resorts | 2018-19 | 86 | 13,246 | 4,793 | 4,045 | 84.4% | 1,221 | 301.9 | 254.8 |
| | % ch | -1.1% | 0.4% | 4.1% | 4.2% | 0.1 ppts | 2.4% | -5.3 | -4.2 |
| Motels/Private Hotels/Guest Houses | 2018-19 | 20 | 332 | np | np | np | np | np | np |
| | % ch | -9.1% | -31.5% | - | - | - | - | - | - |
| Serviced Apartments | 2018-19 | 43 | 5,668 | 2,058 | 1,774 | 86.2% | 440 | 247.9 | 213.7 |
| | % ch | -4.4% | -4.5% | 2.2% | 1.4% | -0.7 ppts | -3.4% | -12.2 | -12.4 |
| Holiday Parks | 2018-19 | 3 | 131 | np | np | np | np | np | np |
| | % ch | 0.0% | 17.0% | - | - | - | - | - | - |
| Upscale and Upper Middle Classes | 2018-19 | 492 | 32,801 | 11,897 | 9,129 | 76.7% | 1,677 | 183.7 | 141.0 |
| | % ch | 3.8% | 4.4% | 3.4% | 1.7% | -1.2 ppts | 0.2% | -2.8 | -4.4 |
| Hotels & Resorts | 2018-19 | 184 | 18,522 | 6,891 | 5,271 | 78.8% | 992 | 188.2 | 148.3 |
| | % ch | 5.1% | 6.6% | 4.9% | 3.4% | -1.1 ppts | 1.5% | -3.5 | -4.9 |
| Motels/Private Hotels/Guest Houses | 2018-19 | 129 | 4,982 | 1,818 | 1,338 | 73.6% | 225 | 168.3 | 123.8 |
| | % ch | -0.8% | -4.7% | 0.4% | -3.1% | -2.7 ppts | -3.7% | -1.0 | -5.2 |
| Serviced Apartments | 2018-19 | 116 | 7,691 | 2,807 | 2,161 | 77.0% | 391 | 180.9 | 139.3 |
| | % ch | 7.4% | 4.6% | 2.4% | 0.5% | -1.5 ppts | -1.5% | -3.6 | -5.6 |
| Holiday Parks | 2018-19 | 63 | 1,606 | 581 | 294 | 50.7% | 48 | 162.4 | 82.3 |
| | % ch | 3.3% | 10.7% | 1.2% | 5.6% | 2.1 ppts | 11.8% | 9.1 | 7.9 |
| Midscale and Economy Classes | 2018-19 | 1,149 | 37,111 | 13,510 | 9,350 | 69.2% | 1,280 | 136.9 | 94.7 |
| | % ch | 3.6% | 3.8% | 0.8% | -1.9% | -1.9 ppts | -3.5% | -2.2 | -4.1 |
| Hotels & Resorts | 2018-19 | 254 | 12,887 | 4,668 | 3,449 | 73.9% | 464 | 134.5 | 99.4 |
| | % ch | 2.0% | 3.7% | 1.5% | -2.1% | -2.7 ppts | -4.5% | -3.4 | -6.2 |
| Motels/Private Hotels/Guest Houses | 2018-19 | 758 | 19,626 | 7,168 | 4,116 | 57.4% | 509 | 123.7 | 71.0 |
| | % ch | 3.3% | 2.8% | 0.0% | -2.4% | -1.4 ppts | -2.2% | 0.2 | -1.6 |
| Serviced Apartments | 2018-19 | 43 | 1,202 | np | np | np | np | np | np |
| | % ch | 2.4% | -1.4% | - | - | - | - | - | - |
| Holiday Parks | 2018-19 | 94 | 3,396 | 1,236 | 648 | 52.4% | 96 | \$148.7 | \$77.9 |
| | % ch | 11.9% | 13.5% | 2.6% | 3.8% | 0.6 ppts | 9.3% | 7.5 | 4.8 |

Source: Australian Accommodation Monitor 2018-19, Destination NSW

3.3 The Riverina Tourism Region

Data and planning for the Riverina tourism region is undertaken through Destination NSW.

In New South Wales, performance and trending of key statistics is produced using Tourism Research Australia data. The Riverina tourism region includes the towns of Griffith, Gundagai, Hay, Leeton, Temora and Wagga Wagga. Planning for the region is performed under the Riverina Murray Destination Management Plan.

Figure 13: Travel to Riverina historical trends



Source: Travel to Riverina Tourism Region, YE December 2019, Destination NSW

These statistics alone highlight the need for tourism investment in the Riverina region complemented with a strong marketing strategy.

3.3.1 Riverina Murray Destination Management Plan

Destination Riverina Murray (DRM) is one of six Destination Networks established by the NSW Government. The networks are responsible for driving the growth of the visitor economy in each respective region to help achieve the NSW Government's overnight visitor expenditure goal for 2020. The Destination Networks facilitate growth in the visitor economy at a local level by representing and coordinating the region's tourism industry.

In 2018, the Riverina Murray Destination Management Plan (DMP) was prepared to guide and assist DRM to stimulate growth in the region's visitor economy in partnership with Destination NSW, Murray Regional Tourism (MRT), Thrive Riverina, NSW National Parks and Wildlife Service (NPWS), local governments and the tourism industry. The plan projections show that the Riverina Murray region domestic visitor market is expected to grow by at least two million visitor nights to 2030, the majority of which will be absorbed in the primary destinations of Albury Wodonga, Wagga Wagga and Griffith. These destinations are identified as the key population and accommodation nodes, and include major regional airports. Nine Strategic Development Themes were developed to respond to the issues and opportunities for the region:

| | |
|-----------------------------------|---|
| Theme 1: Major Centre Development | Develop the major regional centres to support a diverse visitor economy and projected visitor growth. |
| Theme 2: Nature-Based Tourism | Utilise the region's natural assets to develop nature-based and recreational tourism experiences. |
| Theme 3: Rivers and Waterways | Improve visitor access and experience to major rivers and lakes to increase water-based activities. |
| Theme 4: Food and Agritourism | Leverage the region's agricultural strengths by encouraging the development of contemporary food experiences. |

| | |
|---------------------------------------|--|
| Theme 5: Major Touring Routes | Harness the region's major transport corridors to develop easy to navigate touring routes. |
| Theme 6: Sport and Recreation | Unlock the strong sporting culture and infrastructure of the region to develop recreational experiences and attract major sporting events and carnivals. |
| Theme 7: Festivals and Events | Develop a coordinated approach to festivals and events with a focus on increasing the business event and conference market. |
| Theme 8: Accommodation | Improve and diversify the range of accommodation in the region to align with contemporary market demands. |
| Theme 9: Infrastructure and Servicing | Ensure that investment in key infrastructure and visitor servicing keeps pace with visitor growth and expectations, including online marketing. |

The projects aligned to the themes that closely relate to, and potentially impact Gogeldrie Weir Recreation Reserve are set out below:

| Theme | Projects aligned |
|-----------------------------------|--|
| Theme 1: Major Centre Development | <ul style="list-style-type: none"> • Developing the night-time economy to keep visitors in the region longer and convert daytrips to overnight stays. • Developing new leisure products and experiences to increase yield from visitors and meet the needs of growing communities (particularly young families). • Building the accommodation base to cater for the growing visitor economy and major events (particularly reinvestment in existing motel stock). • Improving the hospitality offering and providing opportunities for new food experiences which showcase the surrounding agricultural regions. |
| Theme 2: Nature-Based Tourism | <ul style="list-style-type: none"> • Investment in park infrastructure such as roads, picnic areas, camping site and toilets. • Investment in trails including walking and cycling trails. • Cultural heritage interpretation. • Educational tours and operators. • Eco and adventure tour operators. |
| Theme 3: Rivers and Waterways | <p>Riverfront precinct master plans ♦ Commercial activation of riverfronts ♦ Riverfront parkland enhancements ♦ Boat ramps ♦ Wharfs and jetties ♦ Water-based tour operators ♦ Other water-based experiences ♦ Projects and measures that ensure the sustainability of the region's rivers and waterways over the long term.</p> |

| Theme | Projects aligned |
|-------------------------------|--|
| Theme 5: Major Touring Routes | <p>Rationalisation of existing touring routes to identify 'hero' routes for targeted investment and promotion ♦ Touring route marketing and branding collateral ♦ Major highway and road upgrades ♦ Improved and consistent signage.</p> <p>Kidman Way – Jerilderie, Coleambally, Darlington Point, Griffith, Goolgowi, Hillston</p> <p>Murrumbidgee River Run – Gundagai, Narrandera, Darlington Point, Carrathool, Hay</p> |
| Theme 7: Festivals and Events | <ul style="list-style-type: none"> • Business event venues. • Marketing of business events in the region. • Utilising existing assets for business events. • Events and festivals facilities and infrastructure. • Development of new and existing food and wine related festivals and events. • Development of events focused on arts and culture. |

The DMP breaks down the region into subregions. Gogeldrie Weir (as part of Leeton Shire Council) forms part of the Western Riverina subregion, which also includes the Shires of Carrathool, Griffith, Murrumbidgee and Narrandera. Included in the Tier 1 priority projects for this subregion is the Gogeldrie Weir Precinct Development. A description of the Gogeldrie Weir project and other projects that will influence visitors to the recreation reserve is included below:

Gogeldrie Weir Precinct Development

The Gogeldrie Weir Precinct Development includes the installation of new boat ramps, greater mix of accommodation and the expansion of recreational activities. The upgrades would attract special user groups seeking the space and facilities for fitness activities, bushwalking, birdwatching and family entertainment. This area also has historical significance being a major part of the irrigation system in the Shire.

Altina Wildlife Park Visitor Centre

The Altina Wildlife Park is also a Tier 1 project identified in the DMP. Located within 40 minutes' drive to Gogeldrie Weir, the continued development of the wildlife park will attract greater visitors to the area looking for other attractions and nearby accommodation. The Altina Wildlife Park in Darlington Point provides an up-close and educational experience with a range of exotic and domestic animals. The wildlife park has experienced increasing visitor numbers in recent years and is currently planning for future expansion. This will include an improved educational and interpretive centre, new exhibition space, and a self-guided experience.

The Tier 2 major projects include:

- **Activation NSW National Parks:** Establish a close working relationship with NSW National Parks with the aim of working towards enhancing the visitor experience and exploring river frontage product development opportunities between Leeton and Narrandera.
- **Roxy Theatre Upgrade:** An iconic 1930s theatre from the art deco period has potential to be refurbished and activated through a program of events that would attract visitors to Leeton for arts and cultural purposes. Leeton currently hosts over 5,000 eisteddfod participants per annum from across the wider

region, as well as the Leeton Outback Band Spectacular which draws bands from rural, regional and metropolitan (Sydney and Canberra) – this event has room to grow.

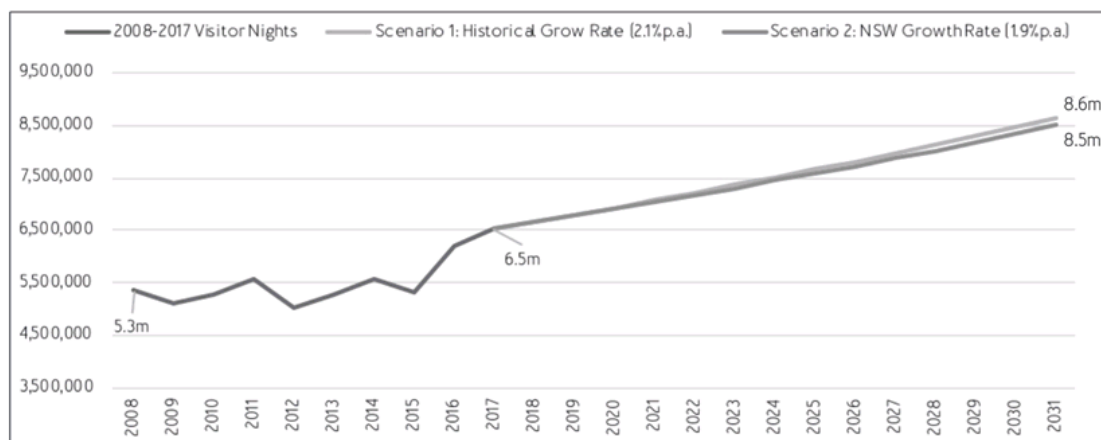
- **Fivebough Wetlands Infrastructure:** Infrastructure development surrounding enhancing the visitor experience at Fivebough Wetlands. Potential to be linked to nature-based/birding trails.
- **Leeton Swimming Pool Upgrade:** This project to upgrade the Leeton Swimming Pool facility has been through concept planning and design. Currently applying for relevant and available funding opportunities to make it a reality.
- **Leeton Art Deco Festival Relaunch:** Relaunch of the Leeton Art Deco Festival in 2019 – funding options currently being investigated.
- **New 4-star Motel for Leeton:** Leeton has a gap in quality hotel/motel accommodation (at least 4-star). Given that a significant percentage (approximately 60%) of our visitors are business travellers, this offers great potential for a private investor.

The above major projects will drive increased visitation to the local area and improve patronage at the redeveloped recreation reserve. The inclusion of these projects, in particular the Tier 1 priority projects, in the regional strategy is a key requirement for attracting grant funding for future works.

3.3.2 Domestic Visitor Projections

Based on modelled growth scenarios, the Riverina Murray is expected to grow from 6.5 million visitor nights in 2017, to approximately 8.5 million by 2031, an additional two million visitor nights.

Figure 14: Riverina Murray visitor nights projection (domestic visitors)



Source: TRA NVS & IVS Visitation 2007–2017 YE June, TRA State and Territory Tourism Forecasts 2017

The Riverina Murray Destination Management Plan is a positive response to drive increased tourism to the region. Gogeldrie Weir Recreation Reserve has an opportunity to capitalise on the increased growth by providing a modern reserve with facilities that meet market expectations.

4 CONSULTATION

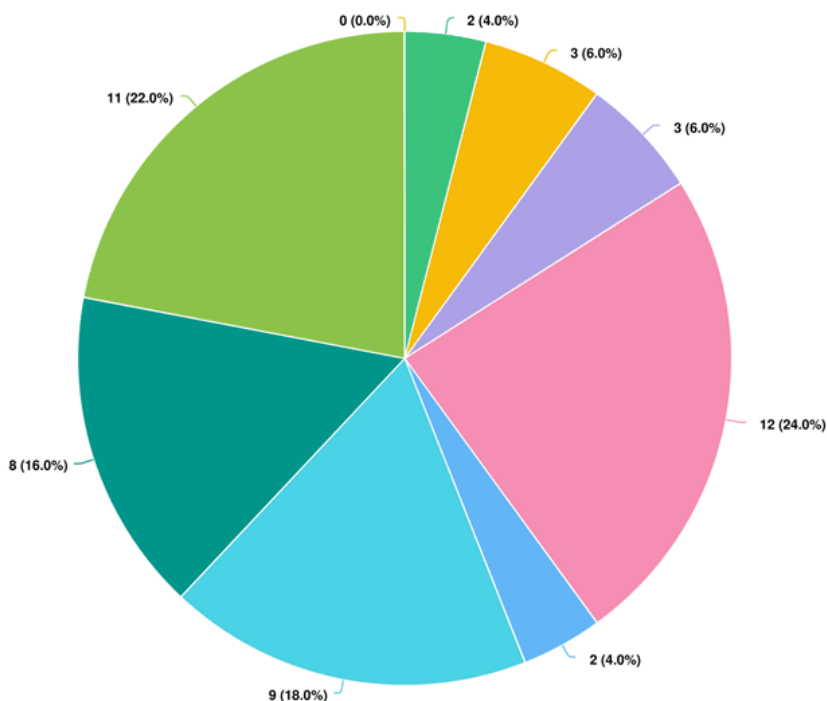
Consultation with key stakeholders is a key component of informing the recommended outcomes of the master plan. Consultation involves a three-stage process.

4.1 Stage 1 – Community Survey

The Gogeldrie Weir Management Committee undertook a community survey using “Have Your Say” to gain initial ideas on the future public recreation and commercial use of the site. There were 51 respondents.

The following questions and summary of responses has been extracted from the results of the survey.

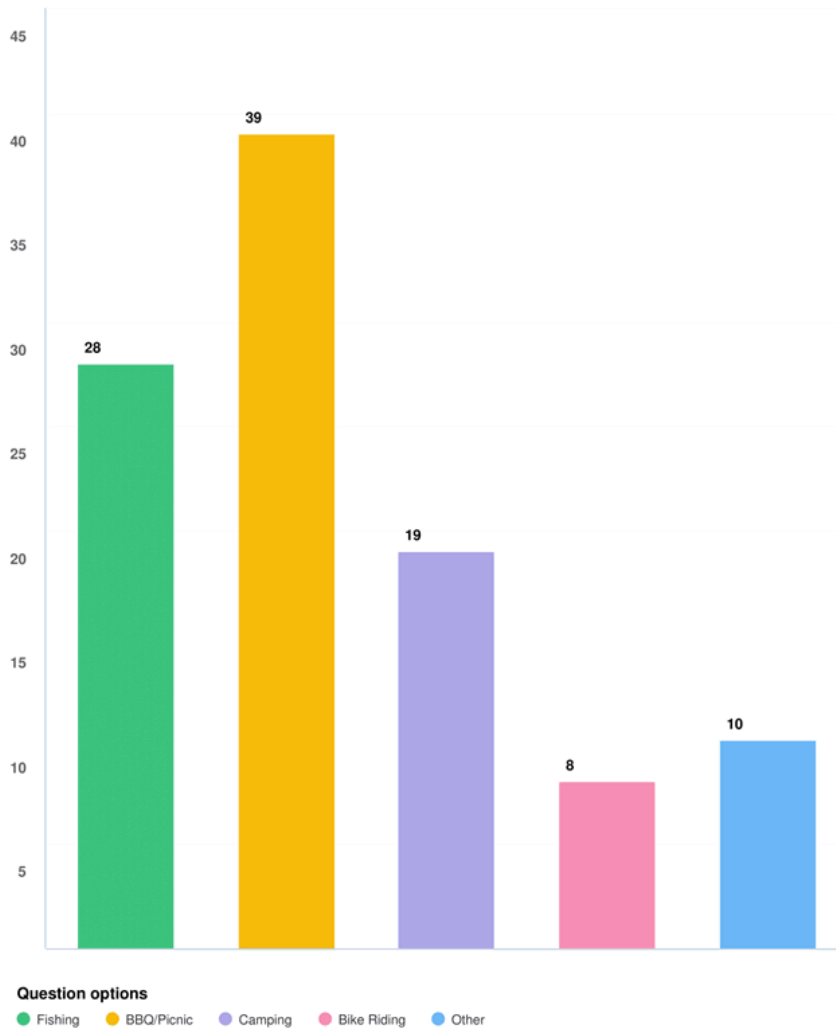
Q1 How often do you attend the weir on average?



Question options

- Once a week or more
- Once a fortnight
- Once a month
- Once every two months
- Once every three months
- Three times a year
- Twice a year
- Once a year
- Never

2 What activities do you go to the weir for?



3 If you answered “Other” in question 2, please provide details of why you visit the weir

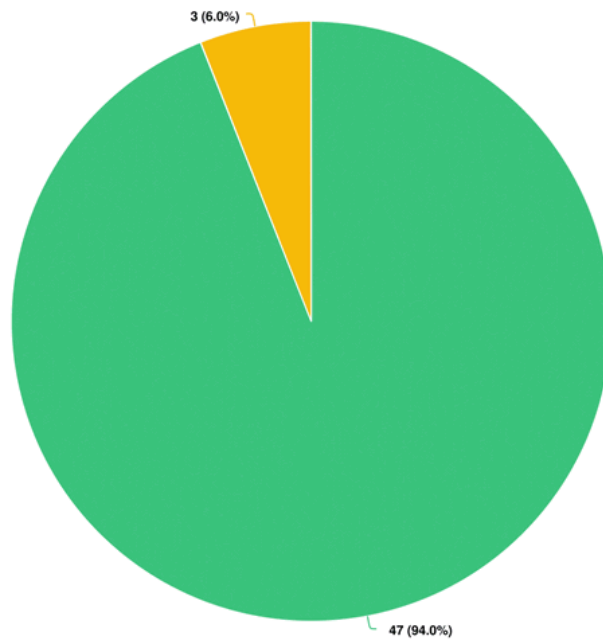
Responses included fishing, kayaking, exercise (walking), water skiing and taking visitors.

4 What do you enjoy best about the weir and its facilities?

Responses included:

- Camping
- Fishing
- Boat ramp
- Good holiday park amenities and facilities
- Relaxing
- Peace and tranquillity
- Kayaking
- Proximity to town
- Park-like setting – open space
- Barbecues
- Cabins
- Safe
- Great family area

5 Do you think anything needs to be improved at the weir?



Question options
 ● Yes ● No

6 If you answered “Yes” to question 5, please share your thoughts on what can be improved

Responses included:

- Children’s play area
- Walking trails with interpretive signage
- Swimming spot at the river
- Upgraded barbecue areas
- Improved boat ramp
- More cabins in holiday park
- Picnic areas
- Upgraded function area
- Additional seating
- Removal of barriers to entry – fencing
- Extended opening hours
- Coffee shop
- Amenities
- Better quality cabins
- More powered sites
- Cultural signage
- Improved access and amenities
- Splash pad
- Parking
- Conference centre
- More welcoming
- Walking tracks along the river
- Upgraded entrance
- Needs to be a community asset

7 If you have any other comments to add, please let us know

Answers to this question reflected the same responses as question 6.

4.2 Stage 2 – Stakeholder Consultation

As part of the initial site visit, consultation was undertaken with the following key stakeholders:

- Gogeldrie Weir Management Committee
- Leeton and District Local Aboriginal Land Council
- Council management and staff
- National Parks
- WaterNSW
- Destination Riverina Murray
- Current holiday park and recreation reserve caretaker – licensee
- CEO Whitton Malt House

The objective of this consultation was to identify the considerations of all parties in the proposed design, highlight any site constraints and listen to the views of each in relation to opportunities at the site.

Most of the consultation meetings were held on site to provide context to the aims of the master plan and the process to be undertaken. The general consensus of all meetings was the wonderful location and the potential of the site to increase local patronage and attract increased tourism to the area.

Of great importance was the support of WaterNSW and National Parks, as the key government bodies impacted by the proposed development. Both bodies were provided with an initial draft of the master plan to identify the linkages with their respective operations.

WaterNSW focused on the ability to maintain unimpeded access to the weir for the operation and maintenance of its assets. Modifications to the original draft have been made and form part of the documents placed on exhibition.



Figure 15: Meeting with WaterNSW representatives on site

National Parks provided maps of the national parks; in particular, the Murrumbidgee Irrigation Area 2 (MIA2) adjacent to the recreation reserve, across the Sturt Canal. The preliminary draft plan illustrates the use of National Parks' land on which the recreation reserve and boat ramp are currently located. National Parks' representatives indicated support for the continued use of the land and the possibility of creating a link to the MIA2 land by way of a footbridge (possibly suspension) to allow access to the walking and bike trails.

The CEO of Whitton Malt House highlighted the strong demand for quality accommodation since the opening of their operation. Weekends are booked well in advance, with strong occupancy rates for most weekdays. This demonstrates that there is demand for quality facilities providing an alternative regional attraction for visitors.

4.3 Stage 3 – Community Consultation

Following finalisation of the draft master plan, it is proposed that the document will be placed on public exhibition seeking feedback from the community and other stakeholders. The outcome of this consultation will form part of a report to Council to consider changes resulting from the feedback. A final plan will be produced highlighting changes to the draft plan resulting from this consultation phase. The final master plan will then be presented to Council for adoption.

5 SITE ANALYSIS

5.1 Overview

Gogeldrie Weir Recreation Reserve is located approximately 24 kilometres west of the township of Leeton. The recreation reserve occupies an area of approximately 3.6 hectares on the banks of the Murrumbidgee River, east of the Gogeldrie Weir structure. The recreation reserve and holiday park are divided by a 10-metre-wide easement providing WaterNSW with maintenance access to the weir structure. The recreation reserve is located on the eastern side of the easement, and the holiday park is located to the west. The recreation reserve has frontage to the river above the weir, and the holiday park has frontage to the river below the weir. The reserve is a popular riverside recreation area for the local community. The eastern part of the recreation reserve is located in the Murrumbidgee Valley National Park and includes a public boat ramp that provides water access into the Sturt Canal.

Leeton Shire Council, although not previously the owner of the site, had (informally) managed the Gogeldrie Weir Recreational Facility for many years, firstly as a primitive camping ground and more recently (in 2014) as a caravan park. Council acquired the site from Government Property NSW in December 2015. It was a condition of the purchase that the property be classified as Community land, and that if the land was not classified as Community land, it was to be transferred back to Government Property NSW for the same sum that it was purchased, plus costs.

Figure 16: Aerial view of Gogeldrie Weir Recreation Reserve and Holiday Park



5.2 Gogeldrie Weir Recreation Reserve

Most of the recreation reserve is an open, grassed area containing older picnic and barbecue facilities with established trees providing valuable shade. The area is currently maintained by the caretaker who is also the manager of the holiday park. Irrigation ensures a healthy grass cover for most of the recreation reserve. The area is currently fenced off, denying general community access other than through the holiday park, where an entry fee applies.

There is a 10-metre-wide easement providing WaterNSW with access to the weir for maintenance. This has a formed gravel road and Chinese Elm trees planted on either side. It forms a logical separation between the holiday park and the recreation reserve. It also provides a direct connection for visitors wishing to view the weir structure. WaterNSW requires ongoing access along this easement for maintenance.

An unsealed road leads to a boat ramp which provides water access into the Sturt Canal. A turnaround area and limited parking for cars and boat trailers are provided adjacent to the ramp. This road and boat ramp are located in the Murrumbidgee Valley National Park, with the area to the south incorporated into the recreation reserve, and the area to the north (along the Sturt Canal) heavily vegetated. There are currently no public toilet facilities servicing the recreation reserve.

Several issues need to be addressed as part of the redevelopment of Gogeldrie Weir Recreation Reserve:

- Provision of unrestricted public access to the recreation reserve (removal of the fence).
- Provision of separate public toilet facilities for the recreation reserve.
- Provision of improved recreation facilities within the recreation reserve.
- Improved access to the river.

Figure 17: WaterNSW access to the weir



Figure 18: Fenced recreation reserve restricting public access



Figure 19: Picnic and barbecue shelters require replacement



Figure 20: Grassed area of the recreation reserve with established trees



Figure 21: Fencing preventing access to water edge



Figure 22: Public boat ramp



5.3 SWOT Analysis of the Recreation Reserve

A SWOT analysis identified the following strengths, weaknesses, opportunities and threats for the recreation reserve:

Strengths:

- The recreation reserve has direct frontage and access to the Murrumbidgee River.
- The site is accessible from the regional centres of Wagga Wagga, Griffith and Leeton.
- Gogeldrie Weir is an imposing engineering structure of regional significance.
- The water storage upstream of the weir caters for a wide range of water-based recreational activities.
- The site is adjacent to the Murrumbidgee Valley National Park.
- There are significant established trees throughout the recreation reserve.

Weaknesses:

- The site lies within the Murrumbidgee River flood zone.
- The recreation reserve is fenced and not available for unrestricted public use.
- Recreation facilities in the recreation reserve are in poor condition and require replacement.
- Pathway connections along the river foreshore have not been developed.
- There are no designated public toilets for the recreation reserve.
- There are no facilities for people with disabilities.

Opportunities:

- Establish clear separation between the holiday park and the recreation reserve.
- Provide unrestricted public access to the weir structure and recreation reserve.
- Establish continuous public access along the entire river frontage – both above and below the weir.
- Provide separate toilet facilities for the recreation reserve.
- Remove perimeter fencing in the recreation reserve and provide a diverse range of recreation facilities to enhance general community use of the recreation reserve.
- Provide additional car parking for increased use of the recreation reserve.
- Provide interpretive signage for the weir and local cultural heritage.
- Provide a connection to trails in the Murrumbidgee Valley National Park.
- Retain maintenance access to the weir structure for WaterNSW.
- Retain existing quality vegetation, where possible.

Threats:

- Impact of flood events.
- Potential impacts from bushfire hazard assessment.
- Lack of funding for the redevelopment.

6 DESIGN RESPONSE

6.1 Introduction

The tourism data in this report signals a positive outlook for tourist growth in Leeton and the Riverina region generally. This is supported by destination management planning, which has identified significant tourism investment for the region. The potential to provide for the family holiday market and to develop a strong environmental focus adjacent to the river and the Murrumbidgee Valley National Park also create opportunities for future tourism growth. The value of the Australian dollar and uncertainty overseas following recent world events are making overseas travel for locals less attractive. The combination of these factors will result in growing demand for tourism and accommodation options within the Riverina region.

The following drawings are included in this report:

| | |
|-----------------|---|
| Drawing GWR-01: | Proposed Master Plan |
| Drawing GWR-02: | Primary Upgrade Works |
| Drawing GWR-03: | Potential Future Additions |
| Drawing GWR-04: | Gogeldrie Weir Recreation Reserve connection to the Murrumbidgee Valley National Park |

Information from the following sources has been used to develop the Proposed Master Plan for Gogeldrie Weir Recreation Reserve:

- Tourism data included earlier in this report.
- Information provided by Leeton Shire Council councillors and staff.
- Stakeholder consultation.
- SWOT analysis for the recreation reserve.
- Detailed site analysis of the recreation reserve.
- Industry experience and expertise of Integrated Site Design management and staff.

The broad design principles used to guide the preparation of the Proposed Master Plan are set out below:

- Establish clear separation between the holiday park and the recreation reserve.
- Provide unrestricted public access to the weir structure and recreation reserve.
- Establish continuous public access along the entire river frontage – both above and below the weir.
- Retain maintenance access to the weir structure for WaterNSW.
- Remove perimeter fencing in the recreation reserve and provide a diverse range of recreation facilities to enhance general community use of the reserve.
- Provide separate toilet facilities for the recreation reserve.
- Provide interpretive signage for the weir and local cultural heritage.
- Provide for future access to the Murrumbidgee Irrigation Area 2 across the Sturt Canal.
- Retain existing quality vegetation, where possible.

The following tables identify how the Proposed Master Plan responds specifically to current tourism industry trends, the SWOT analysis, environmental constraints and preliminary consultation.

6.2 Design Response to Tourism Industry Trends

| Industry Trend | Design Response |
|--|---|
| <p>There is a growing expectation for high quality facilities as an essential part of the holiday experience. Facilities that are in demand include:</p> <ul style="list-style-type: none"> • Access to water for water-based activities • Playgrounds and children's activities • Clean amenities • Barbecue facilities | <p>Visitors to the recreation reserve will have access to a range of recreation facilities, including:</p> <ul style="list-style-type: none"> • Boat ramp • Beach and swimming area • Pavilion • Shaded playground • Picnic and barbecue facilities • Pathways along the river foreshore • Tracks throughout the Murrumbidgee Valley National Park |
| <p>Increased demand for the provision of activities, programs and events as part of the holiday experience.</p> | <p>A range of guest experiences and activities should be offered. A wide range of water-based activities can be offered from the recreation reserve. The pavilion in the recreation reserve will also provide a space for large groups and events.</p> |

6.3 Design Response to SWOT Analysis

| Strengths | Design Response |
|---|--|
| <p>The recreation reserve has direct frontage and access to the Murrumbidgee River.</p> | <p>Use of the river frontage has been optimised with continuous public pathways and two river viewing decks provided along the foreshore of the recreation reserve. The beach and boat ramp also leverage the river frontage. Future marketing and branding for the area can draw heavily on the weir structure and riverfront location.</p> |
| <p>The site is accessible from the regional centres of Wagga Wagga, Griffith and Leeton.</p> | <p>The recreation reserve will provide for the locals and visitors to the region with the redevelopment designed to optimise the riverside setting. Regional attractions such as Gogeldrie Weir, Altina Wildlife Park and Whitton Malt House will also play a large part in marketing and promotion strategies.</p> |
| <p>Gogeldrie Weir is an imposing engineering structure of regional significance.</p> | <p>The weir is a significant attraction for the recreation reserve. Some interpretive signage developed in consultation with WaterNSW will also add to the appeal.</p> |
| <p>The water storage upstream of the weir caters for a wide range of water-based recreational activities.</p> | <p>A wide range of water-based recreation facilities have been incorporated into the recreation reserve master plan including upgrade of the boat ramp, establishment of the swimming beach, and provision of pontoons and canoe launching facilities. Toilet facilities and new park furniture will allow people to spend more time in the recreation reserve. Water-based recreation will be a large part of marketing and promotion strategies.</p> |

| Strengths | Design Response |
|--|--|
| The site is adjacent to the Murrumbidgee Valley National Park. | The plan provides for a suspension bridge across the Sturt Canal connecting to established walking and cycling trails in the Murrumbidgee Valley National Park. |
| There are significant established trees throughout the recreation reserve. | The strong natural character of the riverside location will be maintained and enhanced. Existing vegetation that is in good condition will be retained wherever possible, and additional landscaping with locally occurring native species will further enhance the overall landscape amenity. |

| Weaknesses | Design Response |
|--|--|
| The site lies within the Murrumbidgee River flood zone. | The public toilets in the recreation reserve will be designed to withstand minor flooding, and the pavilion will be installed above the flood level. Floor levels for all new structures will be determined by more detailed flood information. |
| The recreation reserve is fenced and not available for unrestricted public use. | The existing fence around the recreation reserve will be removed providing unrestricted public access to the recreation reserve and foreshore. Additional parking is proposed in the recreation reserve, and new facilities will encourage much wider community use. Public access to Gogeldrie Weir will be the centrepiece of the redevelopment. |
| Recreation facilities in the recreation reserve are in poor condition and require replacement. | Existing picnic and barbecue facilities will be replaced and complemented by the new pavilion and toilet buildings. The new shaded playground, viewing decks and pontoons will also add quality recreation facilities. |
| Pathway connections along the river foreshore have not been developed. | The master plan provides for continuous public access along the foreshore with two river viewing decks. The pathways also connect to corridors along Sturt Canal to the north, and a suspension bridge across the Sturt Canal connecting to established walking and cycling trails in the Murrumbidgee Valley National Park. |
| There are no designated public toilets for the recreation reserve. | A separate public toilet building, including accessible toilets, is proposed for the recreation reserve. |
| There are no facilities for people with disabilities. | All communal buildings in the recreation reserve will be accessible. A public toilet and pavilion will be provided in the recreation reserve. All will be accessible. |

| Opportunities | Design Response |
|--|---|
| Establish clear separation between the holiday park and the recreation reserve. | The proposed weir promenade provides a logical and unambiguous separation between the holiday park and the recreation reserve. This allows for unrestricted public access to the weir and recreation reserve, while providing a viable footprint for the holiday park which can be securely fenced and independently operated. The weir promenade will be the centrepiece of the redevelopment. |
| Provide unrestricted public access to the weir structure and recreation reserve. | The master plan provides unrestricted public access to the recreation reserve and Gogeldrie Weir. |

| Opportunities | Design Response |
|---|--|
| Establish continuous public access along the entire river frontage – both above and below the weir. | The master plan provides continuous public access along the entire river frontage – both above and below the weir, with two river viewing platforms. |
| Provide separate toilet facilities for the recreation reserve. | A separate public toilet building, including accessible toilets, is proposed for the recreation reserve. |
| Remove perimeter fencing in the recreation reserve and provide a diverse range of recreation facilities to enhance general community use of the recreation reserve. | The perimeter fence in the recreation reserve will be removed, providing full access to the riverfront. New recreation facilities will be provided including upgraded boat ramp and pontoon, swimming beach and pontoons, canoe launching area, shaded playground, pavilion, new picnic and barbecue shelters, and walking tracks. |
| Provide additional car parking for increased use of the recreation reserve. | Substantial additional car parking will be provided to match the level of new facilities. |
| Provide interpretive signage for the weir and local cultural heritage. | Interpretive signage is proposed for the weir promenade and foreshore walking tracks. |
| Provide a connection to trails in the Murrumbidgee Valley National Park. | The plan provides for a suspension bridge across the Sturt Canal connecting to established walking and cycling trails in the Murrumbidgee Valley National Park. |
| Retain maintenance access to the weir structure for WaterNSW. | The weir promenade is a multi-purpose corridor providing access for WaterNSW to the weir structure, car parking and turnaround area for maintenance vehicles, and public disability access from the recreation reserve car park to the weir structure. An alternative access to the weir for large maintenance vehicles has also been provided through the recreation reserve. |
| Retain existing quality vegetation, where possible. | The strong natural character of the riverside location will be maintained and enhanced. Existing vegetation that is in good condition will be retained wherever possible, and additional landscaping with locally occurring native species will further enhance the overall landscape amenity. |

| Threats | Design Response |
|--|---|
| Impact of flood events. | The public toilets in the recreation reserve will be designed to withstand minor flooding, and the pavilion will be installed above the flood level. Floor levels for all new structures will be determined by more detailed flood information. |
| Potential impacts from bushfire hazard assessment. | A review of bushfire threat may impact the type and placement of new structures. A bushfire report will be required to assess the proposed development. |
| Lack of funding for the redevelopment. | Estimates of capital expenditure highlight the significant investment required, which highlights the need for grant funding. The development is proposed in stages to spread the cost over an extended period. |

6.4 Design Response to Environmental Issues

The key environmental considerations of the Proposed Master Plan are addressed below.

| Environmental Issues | Design Response |
|-----------------------|--|
| Flood inundation | <p>The public toilets in the recreation reserve will be designed to withstand minor flooding, and the pavilion will be installed above the flood level.</p> <p>Floor levels for all new structures will be determined by more detailed flood information.</p> |
| Energy efficiency | <p>Energy use will be minimised wherever possible. Use of solar energy wherever feasible, high efficiency hot water systems, solar lighting and LED light fittings will be utilised, where possible.</p> |
| Vegetation management | <p>The existing vegetation will be retained wherever possible. A landscape master plan will be informed by existing vegetation assessments to use locally occurring native species that will enhance existing biodiversity values. Native plant species will be used in landscaping throughout all areas of the recreation reserve to improve amenity. Weed control programs will be implemented to manage invasive species.</p> |

7 PROPOSED MASTER PLAN

7.1 Design Features

The Proposed Master Plan for Gogeldrie Recreation Reserve contains the following design features:

- Removal of existing fences, providing unrestricted public access to the reserve and foreshore.
- Clearly defined access to the recreation reserve with appropriate signage and car parking.
- Public promenade leading to Gogeldrie Weir, with interpretive signage.
- Upgraded access road to the boat ramp with additional car parking in the recreation reserve.
- Public toilet facility servicing the recreation reserve and boat ramp.
- Upgraded boat ramp, car/trailer parking and adjacent pontoon.
- Open space for community events/activities.
- Establishment of a public beach and pontoons for safe water access and swimming.
- A shaded playground for general community use.
- Pavilion and stage for events and special uses.
- Public walkways with cultural heritage interpretive signage along the entire riverbank.
- Weir viewing platforms, both above and below the weir.
- Upgraded picnic and barbecue facilities throughout the recreation reserve.
- Establishment of informal BMX trails.
- Suspension bridge over the Sturt Canal connecting to trails in the Murrumbidgee Valley National Park.

Figure 23: Change in reserve fencing



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DRG TITLE: GOGELDRIE WEIR RESERVE CONCEPT MASTER PLAN
 JOB NAME: GOGELDRIE WEIR RESERVE

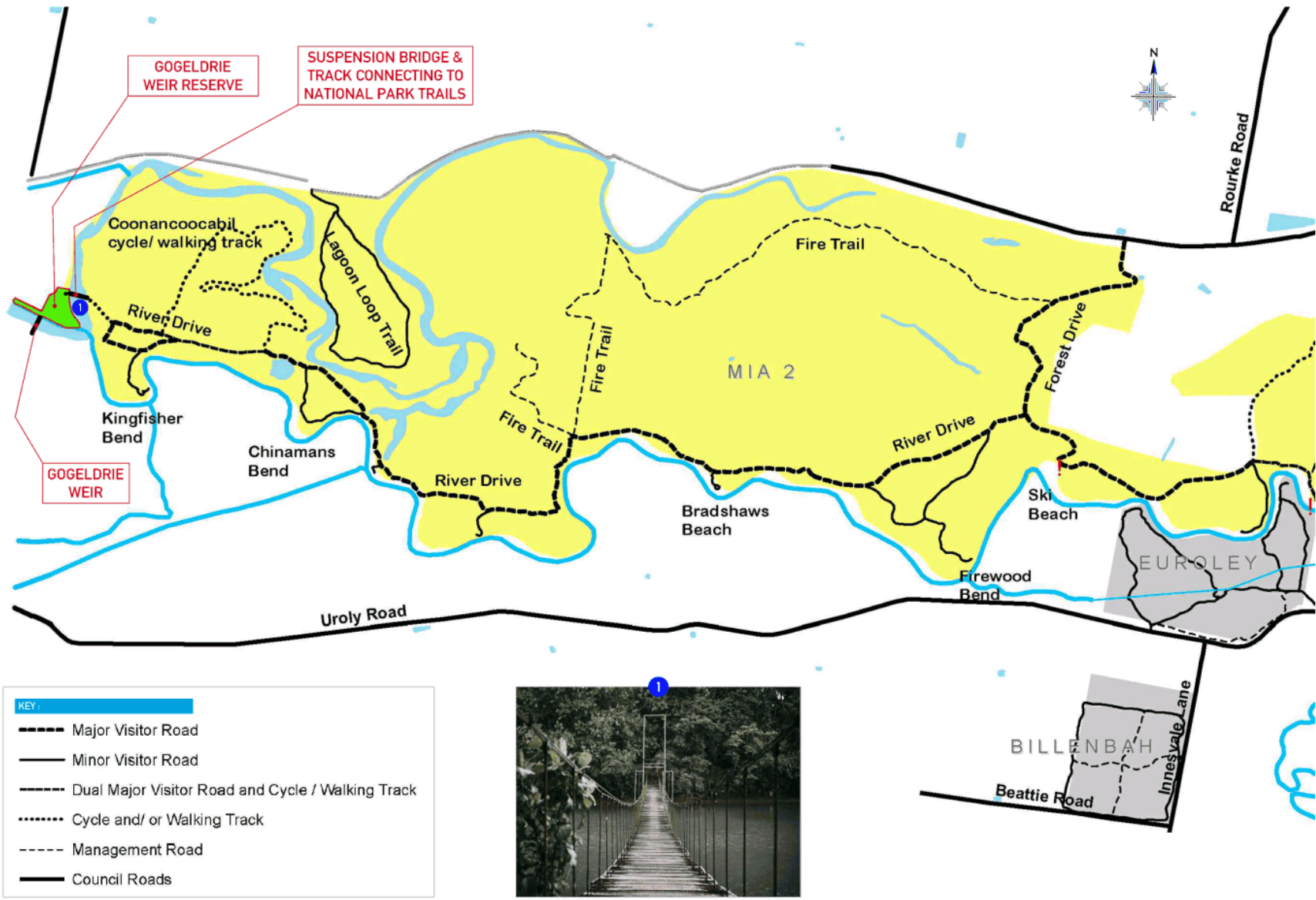


CLIENT: LEETON SHIRE COUNCIL
 DATE: SEPTEMBER 2021

JOB No: 21.12
 A2 SCALE: 1:800

INTEGRATED DRG No:
Site Design GWR-01
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| KEY | |
|-----|---|
| | Major Visitor Road |
| | Minor Visitor Road |
| | Dual Major Visitor Road and Cycle / Walking Track |
| | Cycle and/ or Walking Track |
| | Management Road |
| | Council Roads |



7.2 Detailed Cost Estimates and Staging

Table 1 provides estimates of cost for the upgrade of Gogeldrie Weir Recreation Reserve, highlighting costs for design, primary upgrade works and potential future additions.

Table 1: Gogeldrie Weir Recreation Reserve capital works program

| Project | Unit | Rate | Qty | Total |
|---|----------------|-----------|-------|------------------|
| PRIMARY UPGRADE WORKS | | | | |
| Detailed Design | | | | |
| Detail survey of recreation reserve | | | | \$7,500 |
| Civil design for recreation reserve development (roads, car parking, stormwater, irrigation) | | | | \$20,000 |
| Detailed design for boat ramp extension and pontoon | | | | \$20,000 |
| Detailed design for public toilet building | | | | \$15,000 |
| Preparation of REF and Part 5 assessment including heritage, cultural heritage and bushfire studies | | | | \$30,000 |
| Subtotal for Recreation Reserve Design | | | | \$92,500 |
| Construction | | | | |
| Construct weir promenade with car parking and turnaround area (decomposed granite) | m ² | \$100 | 800 | \$80,000 |
| Install interpretive signage along weir promenade | ea | \$4,000 | 8 | \$32,000 |
| Construct new car park at recreation reserve entrance (2-coat seal, no kerbs) | m ² | \$50 | 800 | \$40,000 |
| Install recreation reserve entry signs | ea | \$2,000 | 2 | \$4,000 |
| Construct access road, car and trailer parking to boat ramp (2-coat seal, no kerbs) | m ² | \$30 | 3,200 | \$96,000 |
| Install new public toilet and waste compound | ea | \$200,000 | 1 | \$200,000 |
| Install irrigation and establish turf cover for entire recreation reserve (1.8 hectares) | site | \$50,000 | 1 | \$50,000 |
| Install new quad barbecue shelters | ea | \$40,000 | 4 | \$160,000 |
| Install new picnic tables and shelters | ea | \$5,000 | 13 | \$65,000 |
| Clean up understory beneath existing tree canopy | ea | \$30,000 | 1 | \$30,000 |
| Construct two weir viewing platforms | ea | \$40,000 | 2 | \$80,000 |
| Install new fish cleaning facilities | ea | \$10,000 | 1 | \$10,000 |
| Install fencing along recreation reserve riverfront area | lm | \$150 | 150 | \$22,500 |
| Construct walking tracks along river foreshore (decomposed granite) | lm | \$50 | 1,000 | \$50,000 |
| Provide cultural heritage interpretive signage along riverside walk | ea | \$5,000 | 6 | \$30,000 |
| Landscaping and tree planting to entire recreation reserve | ea | \$50,000 | 1 | \$50,000 |
| Subtotal for Recreation Reserve Construction | | | | \$999,500 |

Draft Master Plan for Gogeldrie Weir Recreation Reserve

| Project | Unit | Rate | Qty | Total |
|--|------|-----------|-----|--------------------|
| Subtotal for Primary Upgrade Works | | | | \$1,092,000 |
| Project management @ 5% | | | | \$54,600 |
| Contingency allowance @ 10% | | | | \$109,200 |
| TOTAL FOR PRIMARY UPGRADE WORKS | | | | \$1,255,800 |
| POTENTIAL FUTURE ADDITIONS | | | | |
| Construction and Design | | | | |
| Upgrade existing boat ramp and install pontoon | ea | \$300,000 | 1 | \$300,000 |
| Establish beach area and construct two enclosing platforms | ea | \$150,000 | 1 | \$150,000 |
| Design and construct a shaded playground in recreation reserve | ea | \$600,000 | 1 | \$600,000 |
| Detailed design for pavilion building | | | | \$30,000 |
| Construct new pavilion in recreation reserve | ea | \$400,000 | 1 | \$400,000 |
| Subtotal for Potential Future Additions | | | | \$1,480,000 |
| Project management @ 5% | | | | \$74,000 |
| Contingency allowance @ 10% | | | | \$148,000 |
| TOTAL FOR POTENTIAL FUTURE ADDITIONS | | | | \$1,702,000 |
| TOTAL RECREATION RESERVE DEVELOPMENT | | | | \$2,957,800 |

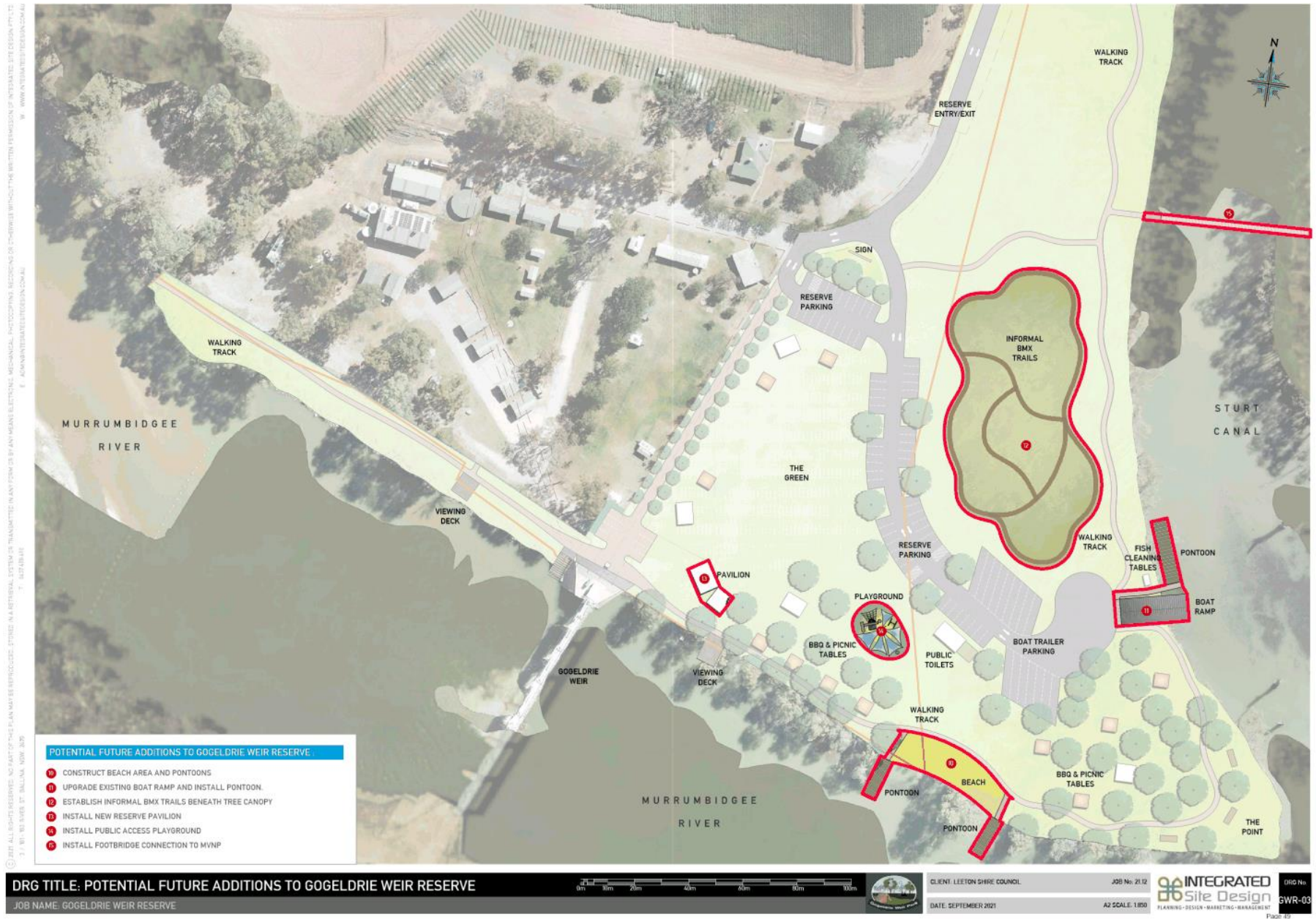


- PRIMARY UPGRADE WORKS FOR GOGELDRIE WEIR RESERVE**
- 1 CONSTRUCT WEIR PROMENADE WITH INTERPRETIVE PANELS & LANDSCAPING
 - 2 CONSTRUCT NEW ROADS, CAR PARKING AND TRAILER PARKING
 - 3 INSTALL NEW ACCESSIBLE PUBLIC TOILET AND WASTE COMPOUND
 - 4 INSTALL NEW BBQ SHELTERS & PICNIC TABLES
 - 5 CLEAN UP UNDERSTOREY BELOW ESTABLISHED TREE CANOPY
 - 6 CONSTRUCT WALKING TRACK WITH INTERPRETATION ALONG RIVER FORESHORE
 - 7 CONSTRUCT 2 WEIR VIEWING PLATFORMS
 - 8 INSTALL NEW FISH CLEANING FACILITIES BESIDE BOAT RAMP
 - 9 ESTABLISH TURF COVER, LANDSCAPING, AND TREE PLANTING

DRG TITLE: PRIMARY UPGRADE WORKS FOR GOGELDRIE WEIR RESERVE
 JOB NAME: GOGELDRIE WEIR RESERVE



CLIENT: LEETON SHIRE COUNCIL
 DATE: JULY 2021
 JOB No: 21.12
 A2 SCALE: 1:800
INTEGRATED Site Design
 PLANNING - DESIGN - MARKETING - MANAGEMENT
 DRG No: SWR-02
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8 FINANCIAL PERFORMANCE AND FORECAST

The following tables demonstrate the projected cash flows for the redevelopment and operation of the recreation reserve. It is assumed that the redevelopment will be funded by loans, or a combination of loans and grants.

The revenue included for the recreation reserve includes licence fees for the exclusive use of the reserve, eg fishing competitions.

Operating expenses include asset maintenance (see Table 2 below) and operational costs including labour for grounds maintenance (lawns, tree maintenance and irrigation). The costs below reflect the operation costs for both the primary upgrade works and the future potential additions.

Table 2: Annual asset maintenance estimates

| | |
|--------------------------|-----------|
| Pavilion | \$2,000 |
| Amenities | \$12,000* |
| Grounds | \$7,500 |
| Viewing decks | \$1,000 |
| Barbecue/Picnic shelters | \$4,000 |
| Shaded playground | \$5,000 |
| Jetties/Pontoons | \$1,500 |
| Irrigation | \$1,000 |
| Fencing | \$1,000 |
| Roads | \$1,000 |

* Includes septic pump out

Table 3 illustrates the cash flows in the event that no grant funding is received, with the capital expenditure funded entirely by loans.

Table 3: Forecast cash flows – Nil grant funding

| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|----------|-----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| OPERATING REVENUES | 0 | 5,000 | 5,100 | 5,222 | 5,348 | 5,476 | 5,608 | 5,742 | 5,880 | 6,021 | 6,166 |
| OPERATING EXPENSES | 0 | 48,787 | 67,263 | 70,377 | 88,066 | 94,180 | 96,440 | 98,754 | 101,125 | 103,552 | 106,037 |
| Operating Result EBITDA– Surplus/(Deficit) | 0 | (43,787) | (62,163) | (65,155) | (82,718) | (88,704) | (90,832) | (93,012) | (95,245) | (97,531) | (99,871) |
| Other operational cash movements | | | | | | | | | | | |
| Less interest on loans | | 3,191 | 37,555 | 51,675 | 70,349 | 82,327 | 78,833 | 75,234 | 71,526 | 67,708 | 63,775 |
| Cash result before capital movements | | (46,978) | (99,718) | (116,829) | (153,067) | (171,031) | (169,665) | (168,246) | (166,771) | (165,238) | (163,646) |
| Capital movements | | | | | | | | | | | |
| Less loan principal repayments | | 3,959 | 46,854 | 67,519 | 95,223 | 116,483 | 119,978 | 123,577 | 127,284 | 131,103 | 135,036 |
| Less Recreation Reserve capital works | 106,375 | 1,149,425 | 517,500 | 690,000 | 494,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital grant funding | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Add loan funding | 106,375 | 1,149,425 | 517,500 | 690,000 | 494,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash result after capital movements – Recreation Reserve | 0 | (50,937) | (146,572) | (184,348) | (248,291) | (287,514) | (289,643) | (291,823) | (294,055) | (296,341) | (298,682) |
| Accumulated cash result – Recreation Reserve | 0 | (50,937) | (197,509) | (381,857) | (630,148) | (917,662) | (1,207,305) | (1,499,128) | (1,793,184) | (2,089,525) | (2,388,207) |

Draft Master Plan for Gogeldrie Weir Recreation Reserve

With the inclusion of debt servicing, the average annual cash outflows are in excess of \$230,000 per annum. Table 4 illustrates the impact with grant funding of \$1.5 million, approximately 50% of the capital estimate.

Table 4: Forecast cash flow – \$1.5 million grant funding

| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|----------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|
| OPERATING REVENUES | 0 | 5,000 | 5,100 | 5,222 | 5,348 | 5,476 | 5,608 | 5,742 | 5,880 | 6,021 | 6,166 |
| OPERATING EXPENSES | 0 | 48,787 | 67,263 | 70,377 | 88,066 | 94,180 | 96,440 | 98,754 | 101,125 | 103,552 | 106,037 |
| Operating Result EBITDA-Surplus/(Deficit) | 0 | (43,787) | (62,163) | (65,155) | (82,718) | (88,704) | (90,832) | (93,012) | (95,245) | (97,531) | (99,871) |
| Other operational cash movements | | | | | | | | | | | |
| Less interest on loans | 0 | 0 | 8,199 | 28,594 | 42,344 | 40,675 | 38,956 | 37,185 | 35,361 | 33,482 | |
| Cash result before capital movements | | (43,787) | (62,163) | (73,354) | (111,312) | (131,048) | (131,507) | (131,968) | (132,429) | (132,891) | (133,353) |
| Capital movements | | | | | | | | | | | |
| Less loan principal repayments | 0 | 0 | 10,171 | 36,155 | 55,643 | 57,312 | 59,031 | 60,802 | 62,627 | 64,505 | |
| Less Recreation Reserve capital works | 106,375 | 1,149,425 | 517,500 | 690,000 | 494,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital grant funding | 106,375 | 1,149,425 | 244,200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Add loan funding | 0 | 0 | 273,300 | 690,000 | 494,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash result after capital movements – Recreation Reserve | 0 | (43,787) | (62,163) | (83,525) | (147,467) | (186,691) | (188,819) | (190,999) | (193,232) | (195,518) | (197,858) |
| Accumulated cash result – Recreation Reserve | 0 | (43,787) | (105,950) | (189,474) | (336,941) | (523,632) | (712,452) | (903,451) | (1,096,683) | (1,292,200) | (1,490,059) |

Table 4 illustrates that attaining grant funding of \$1.5 million significantly reduces the debt servicing costs and subsequent annual cash outlays for the recreation reserve.

9 FACILITIES MANAGEMENT

A facilities management plan will ensure that the responsibilities for the management, operation, maintenance and funding of the holiday park and recreation reserve are clearly identified.

Council has several alternatives for the management of the holiday park and recreation reserve:

- 1 Direct employment of Council resources.
- 2 Long-term lease of the holiday park and/or recreation reserve.
- 3 Contract management of the holiday park and/or recreation reserve.

The advantages and disadvantages of each option are provided below:

1 Direct employment of Council resources

| Advantages | Disadvantages |
|--|---|
| Stronger governance with all aspects operating under Council's internal controls | Not a typical local government business |
| Can control fees and charges for the use of the holiday park | Lack of specialist skills to operate and maximise business returns for the holiday park |
| Assets maintained and replaced as required | Greater exposure to fluctuations in financial performance |
| | More expensive labour costs |
| | Higher administrations costs |
| | Elected officials find it difficult to separate business and community roles |

2 Long-term lease of the holiday park and/or recreation reserve

| Advantages | Disadvantages |
|--|---|
| Lower Council administration costs | Council will need significant capital grants to offer a viable lease package |
| Clearly identified long-term financial return and risk | Difficulty in attracting more recognised operators to country area |
| | Long-term leases often lead to lower levels of asset maintenance and replacement |
| | Lack of control over level of service and presentation of the holiday park and recreation reserve |
| | Elected officials find it difficult to separate business and community roles |
| | Major emphasis of lessee will be to the business outcomes of the holiday park rather than the local community |

3 Contract management of the holiday park and/or recreation reserve

| Advantages | Disadvantages |
|---|--|
| Council administration costs lower than employee option | Contract administration costs higher than lease |
| Enables strong partnership between operator and Council | Contractor may focus on holiday park over recreation reserve |
| Management and maintenance of Council assets | |
| Financial risk shared by contractor and Council | |
| Profit share arrangement to motivate contractor and Council | |

It is our experience that the engagement of contract managers provides the greater balance of control, asset protection and business performance. The inclusion of performance plans for various components of the contract deliverables combined with accountable key performance indicators ensures the clear delineation of responsibilities between the Council and the contractor. A key focus of the management contract is to ensure that the level of maintenance and presentation of the recreation reserve is consistent with that provided for guests staying at the holiday park.

10 ECONOMIC BENEFIT

10.1 Economic Benefit of the Recreation Reserve Redevelopment

Economic impact modelling enables Leeton Shire to explore how change in employment or output (sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.

Using an economic impact model, Council has measured the flow-on impacts to the local economy resulting from the proposed upgrades to the recreation reserve.

A full report is included at Annexure 3. Major highlights include the following:

- The combination of all direct, industrial and consumption effects would result in a total estimated rise in output of \$4 million in the Leeton Shire economy, representing a type 2 output multiplier of 1.43.
- The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be \$7.02 million added to Australia's output.
- The combination of all direct, industrial and consumption effects would result in a total estimated increase of 31 jobs located in Leeton Shire. This represents a type 2 employment multiplier of 1.25.
- The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be an addition of 42 jobs.
- The combination of all direct, industrial and consumption effects would result in an estimated addition in value added of \$1.29 million in the Leeton Shire economy, representing a type 2 value-added multiplier of 1.56.
- The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be \$2.56 million added to Australia's value added.

Instrument setting out terms of Easements or Profits a Prendre intended to be created or released and of Restrictions on the Use of Land or Positive Covenants intended to be created pursuant to Section 88A and Section 88B Conveyancing Act 1919.

(Sheet 1 of 2 Sheets)



DP1184875 B

**Full name and address
 of the owner of the land:**

Plan of Subdivision of Lot 1 DP 32714
 and Lot 1 DP 218155 and Easements for
 Access 10, 15.09 and Variable Widths,
 Easement for Underground Power 5
 Wide and Easement for Underground
 Data Cable 2 and Variable Width
*Subdivision Certificate No 13/2007
 5 May 2008*

Water Administration Ministerial Corporation
 Level 10, 10 Valentine Ave
 Parramatta NSW 2150

Part 1 (Creation)

| Number of items shown in the intention panel on the plan | Identity of easement, profit a prendre, restriction or positive covenant to be created and referred to in the plan | Burdened lots(s) or parcel(s) | Benefited lot(s), road(s), bodies or Prescribed Authorities: |
|--|--|-------------------------------|--|
| 1 | Easement for Access 10 metres wide | Lot 2 | State Water Corporation |
| 2 | Easement for Access 15.09 metres and variable width | Lot 2 | State Water Corporation |
| 3 | Easement for Underground Power 5 metres wide | Lots 2 and 4 | State Water Corporation |
| 4 | Easement for Underground Data Cable 2 metres and Variable Width | Lots 2 and 4 | Water Administration Ministerial Corporation and State Water Corporation |

Part 2 (Terms)

Terms of easement numbered 1-3 in the plan.

Right for State Water Corporation by its employees or agents to enter with any necessary tools or equipment the servient land for the purpose of excavating, laying, installing, using, repairing, maintaining, renewing and relaying or removing any pipes, wires, cables, channels and any necessary or related media or facility, the person exercising the right to cause as little damage and inconvenience as is reasonably practicable in so doing and to make good any damage caused to the servient land.

WARNING : Electronic Document Supplied by LPI NSW for Your Internal Use Only.

DP1184875

(Sheet 2 of 2 Sheets)

Terms of easement numbered 4 in the plan.

Right for Water Administration Ministerial Corporation and State Water Corporation by its employees or agents to enter with any necessary tools or equipment the servient land for the purpose of excavating, laying, installing, using, repairing, maintaining, renewing and relaying or removing any pipes, wires, cables, channels and any necessary or related media or facility, the person exercising the right to cause as little damage and inconvenience as is reasonably practicable in so doing and to make good any damage caused to the servient land

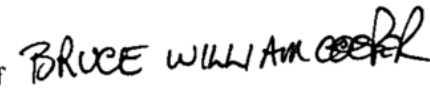
Name of person in power to release, vary or modify restrictions numbered 1 in the plan.

| Item | Name of person in power |
|------|--|
| 1-3 | State Water Corporation 7 Commercial Ave Blueridge Business Park, Mitchell Highway Dubbo NSW 2830 |
| 4 | Each of Water Administration Ministerial Corporation and State Water Corporation in relation to its interest. Water Administration Ministerial Corporation – Level 10, 10 Valentine Ave Parramatta NSW 2150 State Water Corporation 7 Commercial Ave Blueridge Business Park, Mitchell Highway Dubbo NSW 2830 |

I certify that the person(s) signing opposite, with whom I am personally acquainted or as to whose identity I am otherwise satisfied, signed this Instrument in my presence.

Certified correct for the purposes of the Real Property Act 1900 by the owner.

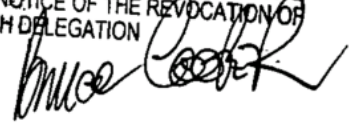
Signature of Witness: 

Signature of Owner: 

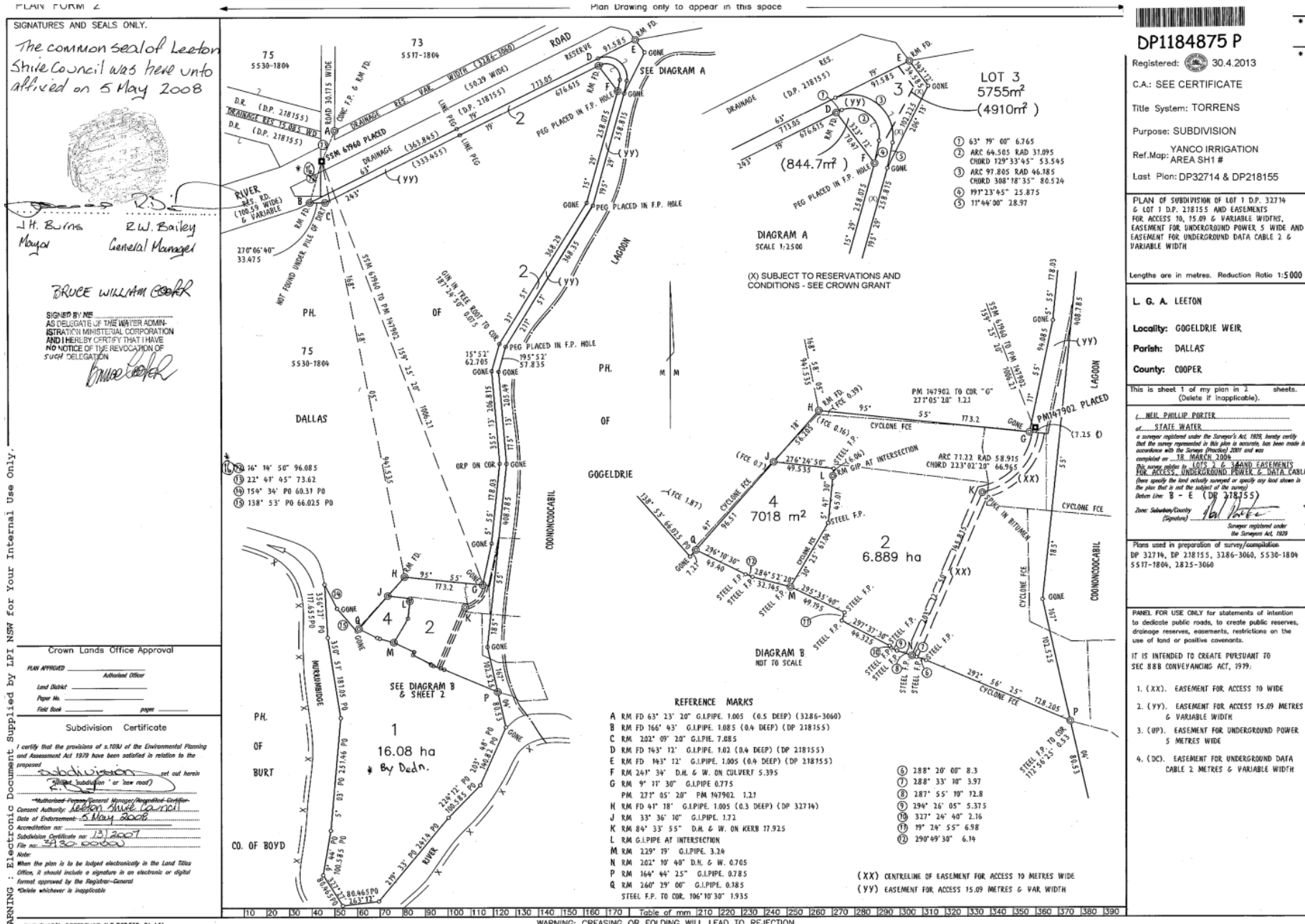
Name of Witness: STEPHEN MARTIN

SIGNED BY ME.....
 AS DELEGATE OF THE WATER ADMINISTRATION MINISTERIAL CORPORATION AND I HEREBY CERTIFY THAT I HAVE NO NOTICE OF THE REVOCATION OF SUCH DELEGATION

Address of Witness: 10 VALENTINE AVENUE
 PARRAMATTA NSW 2150



REGISTERED  30.4.2013



DP1184875 P
 Registered: 30.4.2013
 C.A.: SEE CERTIFICATE
 Title System: TORRENS
 Purpose: SUBDIVISION
 Ref. Map: YANCO IRRIGATION AREA SH1 #
 Last Plan: DP32714 & DP218155

PLAN OF SUBDIVISION OF LOT 1 D.P. 32714 & LOT 1 D.P. 218155 AND EASEMENTS FOR ACCESS TO, 15.09 & VARIABLE WIDTHS, EASEMENT FOR UNDERGROUND POWER 5 WIDE AND EASEMENT FOR UNDERGROUND DATA CABLE 2 & VARIABLE WIDTH

Lengths are in metres. Reduction Ratio 1:5000

L. G. A. LEETON
 Locality: GOGELDRIE WEIR
 Parish: DALLAS
 County: COOPER

This is sheet 1 of my plan in 1 sheets.
 (Delete if inapplicable).

NEIL PHILLIP PORTER
 of STATE WATER
 a surveyor registered under the Surveyors Act 1929 hereby certifies that the survey represented in this plan is accurate, has been made in accordance with the Survey Practices 2001 and was completed on 18 MARCH 2008.
 This survey relates to LOTS 1 & 2 AND EASEMENTS FOR ACCESS, UNDERGROUND POWER & DATA CABLE (these include the land actually surveyed or specify any land shown in the plan that is not the subject of the survey)
 Datum Line: B - E (DP 218155)
 Zone: Suburban/County
 (Signature) *Neil Phillip Porter*
 Surveyor registered under the Surveyors Act, 1929

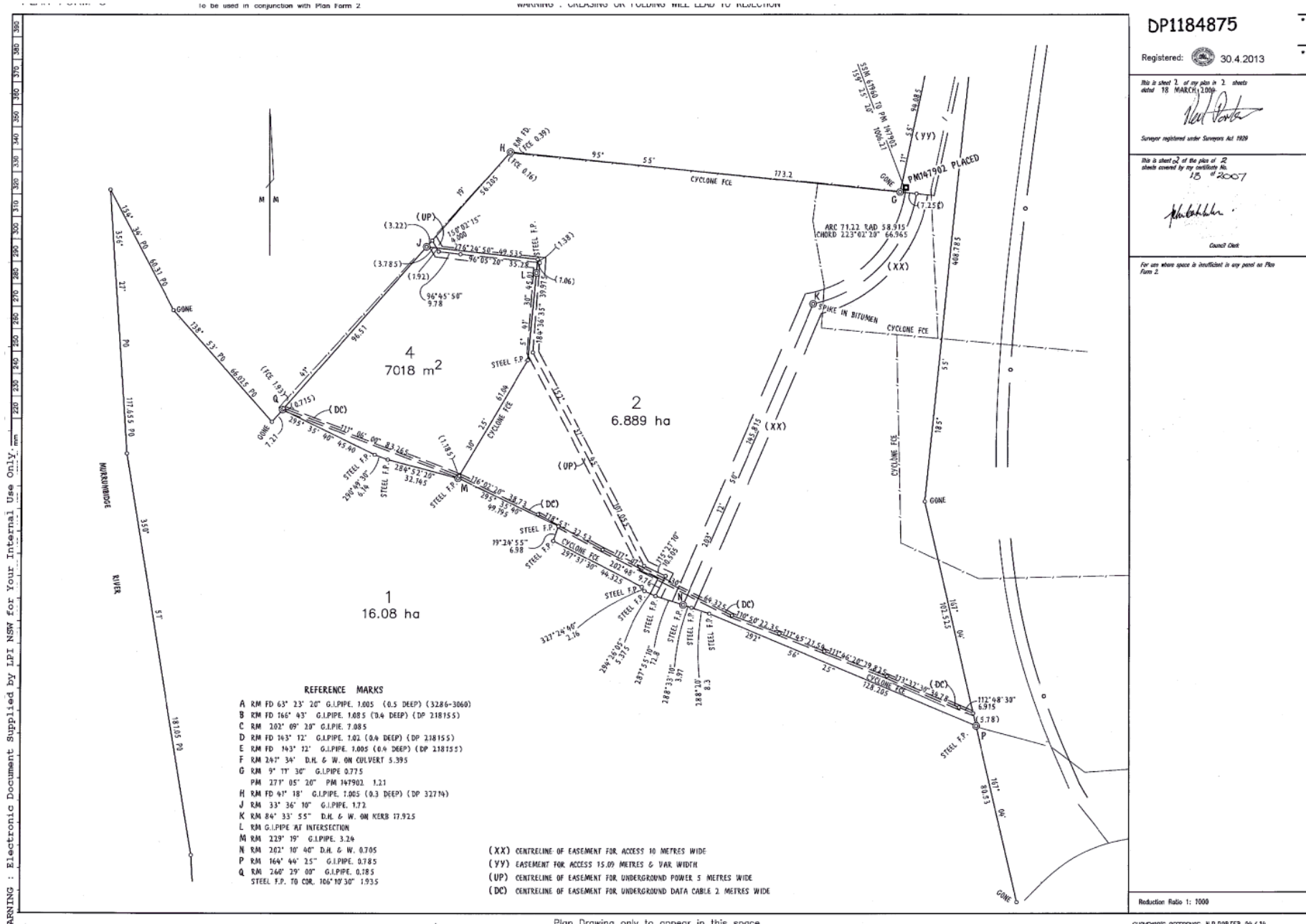
Plans used in preparation of survey/compassion
 DP 32714, DP 218155, 3286-3060, 5530-1804 5517-1804, 2825-3060

PANEL FOR USE ONLY for statements of intention to dedicate public roads, to create public reserves, drainage reserves, easements, restrictions on the use of land or positive covenants.

IT IS INTENDED TO CREATE PURSUANT TO SEC 88B CONVEYANCING ACT, 1999:

- (XX). EASEMENT FOR ACCESS TO WIDE
- (YY). EASEMENT FOR ACCESS 15.09 METRES & VARIABLE WIDTH
- (UP). EASEMENT FOR UNDERGROUND POWER 5 METRES WIDE
- (DC). EASEMENT FOR UNDERGROUND DATA CABLE 2 METRES & VARIABLE WIDTH

AS DRAFTSMAN BY ELECTRONIC MEANS





AHIMS Web Services (AWS) Search Result

Annexure 2

Purchase Order/Reference : ISD039
Client Service ID : 577673

James Bolger
19 Fern St
Lennox Head New South Wales 2478
Attention: James Bolger
Email: jimbo@i-site.com.au

Date: 21 March 2021

Dear Sir or Madam:

AHIMS Web Service search for the following area at Lot : 2, DP:DP1184875 with a Buffer of 200 meters, conducted by James Bolger on 21 March 2021.

The context area of your search is shown in the map below. Please note that the map does not accurately display the exact boundaries of the search as defined in the paragraph above. The map is to be used for general reference purposes only.



A search of the Office of the Environment and Heritage AHIMS Web Services (Aboriginal Heritage Information Management System) has shown that:

| | |
|---|--|
| 0 | Aboriginal sites are recorded in or near the above location. |
| 0 | Aboriginal places have been declared in or near the above location.* |

If your search shows Aboriginal sites or places what should you do?

- You must do an extensive search if AHIMS has shown that there are Aboriginal sites or places recorded in the search area.
- If you are checking AHIMS as a part of your due diligence, refer to the next steps of the Due Diligence Code of practice.
- You can get further information about Aboriginal places by looking at the gazettal notice that declared it. Aboriginal places gazetted after 2001 are available on the [NSW Government Gazette \(http://www.nsw.gov.au/gazette\)](http://www.nsw.gov.au/gazette) website. Gazettal notices published prior to 2001 can be obtained from Office of Environment and Heritage's Aboriginal Heritage Information Unit upon request

Important information about your AHIMS search

- The information derived from the AHIMS search is only to be used for the purpose for which it was requested. It is not be made available to the public.
- AHIMS records information about Aboriginal sites that have been provided to Office of Environment and Heritage and Aboriginal places that have been declared by the Minister;
- Information recorded on AHIMS may vary in its accuracy and may not be up to date .Location details are recorded as grid references and it is important to note that there may be errors or omissions in these recordings,
- Some parts of New South Wales have not been investigated in detail and there may be fewer records of Aboriginal sites in those areas. These areas may contain Aboriginal sites which are not recorded on AHIMS.
- Aboriginal objects are protected under the National Parks and Wildlife Act 1974 even if they are not recorded as a site on AHIMS.
- This search can form part of your due diligence and remains valid for 12 months.



AHIMS Web Services (AWS) Search Result

Purchase Order/Reference : ISD039
Client Service ID : 577674

James Bolger
19 Fern St
Lennox Head New South Wales 2478
Attention: James Bolger
Email: jimbo@i-site.com.au

Date: 21 March 2021

Dear Sir or Madam:

AHIMS Web Service search for the following area at Lot : 4, DP:DP1184875 with a Buffer of 200 meters, conducted by James Bolger on 21 March 2021.

The context area of your search is shown in the map below. Please note that the map does not accurately display the exact boundaries of the search as defined in the paragraph above. The map is to be used for general reference purposes only.



A search of the Office of the Environment and Heritage AHIMS Web Services (Aboriginal Heritage Information Management System) has shown that:

| | |
|---|--|
| 0 | Aboriginal sites are recorded in or near the above location. |
| 0 | Aboriginal places have been declared in or near the above location.* |

If your search shows Aboriginal sites or places what should you do?

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- Information recorded on AHIMS may vary in its accuracy and may not be up to date. Location details are recorded as grid references and it is important to note that there may be errors or omissions in these recordings,
- Some parts of New South Wales have not been investigated in detail and there may be fewer records of Aboriginal sites in those areas. These areas may contain Aboriginal sites which are not recorded on AHIMS.
- Aboriginal objects are protected under the National Parks and Wildlife Act 1974 even if they are not recorded as a site on AHIMS.
- This search can form part of your due diligence and remains valid for 12 months.

Leeton Shire

Economic impact model

Economic impact modelling enables Leeton Shire to explore how change in employment or output(sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.

This provides Leeton Shire with powerful evidence to advocate against industrial closures or strategically target new industry sectors which are likely to have the greatest positive economic impact.

Different industries will have different flow on effects. Adding jobs in a particular sector will not only add to the value of that sector, but also to other industries related to the supply chain (eg. suppliers, wholesalers) and service industries (retail, food services, administration) which will expand to service the additional workforce. Jobs in associated industries may be added in the local area or outside it, based on journey to work information.

The economic impacts are calculated using an input-output model which is derived from the local economy microsimulation model by National Economics (NIEIR).

To use the model, simply input the number of jobs (per year) to be added to (+) or removed (-) from the economy in a particular industry sector. The results show the theoretical addition (or loss) to the local economy of jobs and value added by industry sector. It also shows the proportion of the new employment that would occur inside and outside Leeton Shire.

To model construction impacts related to a project, input the total cost of construction or direct jobs created. The results shown will represent total direct and indirect impacts over the life of the construction period. To estimate annual impacts, simply divide the total impacts by the estimated life of the project in years (e.g. divide results by 3 if the project will take 3 years to build, or 1.5 for 18 months).

Industry: Sports and Recreation Activities
 Impact modelled: ADDITION of \$2.8 million sales
 Company name: Gogeldrie

Impact Summary

Leeton Shire - Modelling the effect of adding \$2.8m sales in Sports and Recreation Activities - Inflation adjusted

| Summary | Output (\$m) | Value-added (\$m) | Local jobs | Residents jobs |
|--|--------------|-------------------|------------|----------------|
| Starting position Leeton Shire (year ended June 2020) | -- | -- | -- | -- |
| Sports and Recreation Activities | 1.82 | 0.54 | 16 | 19 |
| All industries | 1,540.88 | 567.08 | 4,872 | 5,152 |
| Impacts on Leeton Shire economy | -- | -- | -- | -- |
| Direct impact on Sports and Recreation Activities sector | 2.80 | 0.83 | 24 | -- |
| Industrial impact | 0.86 | 0.31 | 4 | -- |
| Consumption impact | 0.33 | 0.15 | 2 | -- |
| Total impact on Leeton Shire economy | 4.00 | 1.29 | 31 | 30 |
| ▪ Type 1 multiplier (direct & industrial) | 1.31 | 1.38 | 1.17 | -- |
| ▪ Type 2 multiplier (direct, industrial & consumption) | 1.43 | 1.56 | 1.25 | -- |
| Impact on New South Wales economy | -- | -- | -- | -- |
| Total impact - New South Wales outside Leeton Shire | 1.18 | 0.51 | 4 | 4 |
| Total impact New South Wales economy | 5.18 | 1.79 | 35 | 34 |
| Impact on Australian economy | -- | -- | -- | -- |
| Total impact outside New South Wales economy | 1.84 | 0.77 | 7 | 7 |
| Total impact on Australian economy | 7.02 | 2.56 | 42 | 42 |

Source: National Institute of Economic and Industry Research (NIEIR) ©2021. Compiled and presented in economy.id by .id (informed decisions).

Note: All \$ values are expressed in 2018/19 base year dollar terms.

Impact on Output

The direct addition of \$2.8 million annual output in the Sports and Recreation Activities sector of Leeton Shire economy would lead to an increase in indirect demand for intermediate goods and services across related industry sectors. These indirect industrial impacts (Type 1) are estimated to be an additional \$0.86m in Output, representing a Type 1 Output multiplier of 1.31.

There would be an additional contribution to Leeton Shire economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in Output of \$0.33m.

The combination of all direct, industrial and consumption effects would result in total estimated rise in Output of \$4.00m in Leeton Shire economy, representing a Type 2 Output multiplier of 1.43.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of \$3.02m in Output.

The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be \$7.02m added to Australia's Output.

Impact on Local Employment (jobs)

The direct addition of \$2.8 million annual output in the Sports and Recreation Activities sector of Leeton Shire economy is estimated to lead to a corresponding direct addition of 24 jobs in the local Sports and Recreation Activities sector. From this direct expansion in the economy it is anticipated that there would be flow on effects into other related intermediate industries, creating an additional 4 jobs. This represents a Type 1 Employment multiplier of 1.17.

This addition of jobs in the local economy would lead to a corresponding increase in wages and salaries, a proportion of which would be spent on local goods and services, creating a further 2 jobs through consumption impacts.

The combination of all direct, industrial and consumption effects would result in a total estimated increase of 31 jobs located in Leeton Shire. This represents a Type 2 Employment multiplier of 1.25.

Employment impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy creating a further 11 jobs.

The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be an addition of 42 jobs.

Impact on value added

The direct addition of \$2.8 million annual output in the Sports and Recreation Activities sector of Leeton Shire economy would lead to a corresponding direct increase in value added of \$0.83m. A further \$0.31m in value added would be generated from related intermediate industries. These indirect industrial impacts represent a Type 1 value added multiplier of 1.38.

There would be an additional contribution to Leeton Shire economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in value added of \$0.15m.

The combination of all direct, industrial and consumption effects would result in an estimated addition in value added of \$1.29m in Leeton Shire economy, representing a Type 2 value added multiplier of 1.56.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of \$1.28m in value added.

The combined effect of economic multipliers in Leeton Shire and the wider Australian economy is estimated to be \$2.56m added to Australia's value added.

Impact on GRP

Value added by industry represents the industry component of Gross Regional Product (GRP). The impact on Leeton Shire's GRP as a result of this change to the economy is directly equivalent to the change in value added outlined in the section above.

In summary, GRP in Leeton Shire is estimated to increase by \$1.29m.

The effect on the Australian economy (including Leeton Shire) is estimated to be a growth in Gross Domestic Product (GDP) of \$2.56m.

Impact on employment by industry sector

This table shows a detailed breakdown of how employment will be affected by the addition of \$2.8 million annual output in the Sports and Recreation Activities sector of Leeton Shire economy. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

Employment by industry sector

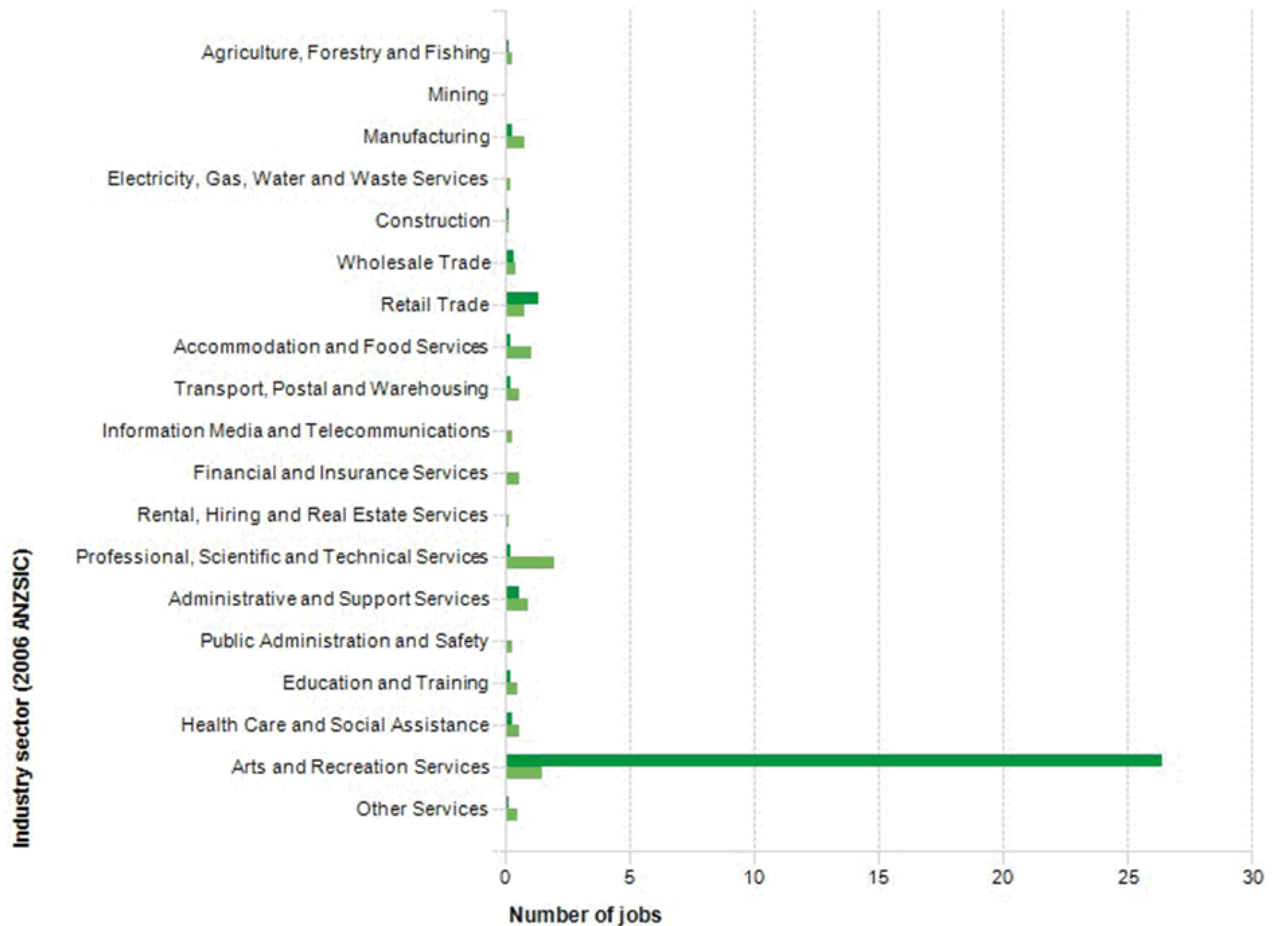
| Industry sectors (1-digit ANSIC) | Employment impacts | | | |
|---|--------------------------------|------------------------------|--------------------------------------|---|
| | Existing jobs in Leeton Shire* | Jobs created in Leeton Shire | Jobs created outside of Leeton Shire | Jobs created for Leeton Shire residents |
| Agriculture, Forestry and Fishing | 544 | 0 | 0 | 0 |
| Mining | 42 | 0 | 0 | 0 |
| Manufacturing | 970 | 0 | 1 | 0 |
| Electricity, Gas, Water and Waste Services | 250 | 0 | 0 | 0 |
| Construction | 406 | 0 | 0 | 0 |
| Wholesale Trade | 116 | 0 | 0 | 0 |
| Retail Trade | 385 | 1 | 1 | 1 |
| Accommodation and Food Services | 234 | 0 | 1 | 0 |
| Transport, Postal and Warehousing | 200 | 0 | 1 | 0 |
| Information Media and Telecommunications | 14 | 0 | 0 | 0 |
| Financial and Insurance Services | 43 | 0 | 1 | 0 |
| Rental, Hiring and Real Estate Services | 35 | 0 | 0 | 0 |
| Professional, Scientific and Technical Services | 145 | 0 | 2 | 0 |
| Administrative and Support Services | 111 | 1 | 1 | 1 |
| Public Administration and Safety | 243 | 0 | 0 | 0 |
| Education and Training | 540 | 0 | 1 | 0 |
| Health Care and Social Assistance | 416 | 0 | 1 | 0 |
| Arts and Recreation Services | 16 | 26 | 1 | 26 |
| Other Services | 161 | 0 | 1 | 0 |
| Total Industries | 4,872 | 31 | 11 | 30 |

Source: National Institute of Economic and Industry Research (NIEIR) ©2021. Compiled and presented in economy.id by .id informed decisions

Employment by industry sector

Impact of \$2.8 million new sales in Sports and Recreation Activities sector

■ Jobs created in Leeton Shire ■ Jobs created outside Leeton Shire



Source: National Institute of Economic and Industry Research (NIEIR) ©2021
 Compiled and presented in economy.id by .id the population experts



Resident employment impacts

The combination of all direct, industrial and consumption effects of adding \$2.8 million annual output to the Sports and Recreation Activities sector of Leeton Shire economy would be an estimated increase of 30 jobs located in Leeton Shire and 12 jobs located outside Leeton Shire – a total of 42 jobs.

As some of Leeton Shire’s residents leave the area to work and residents of other areas enter Leeton Shire to work, not all of these jobs will be filled by Leeton Shire residents. It is estimated that of the 42 jobs created, 30 or 71.8% would be expected to be filled by Leeton Shire residents.

Industry employment impacts

The combination of all direct, industrial and consumption effects of adding \$2.8 million annual output to the Sports and Recreation Activities sector of Leeton Shire economy would result in an estimated increase of 31 jobs located in Leeton Shire.

Of the 31 jobs created within Leeton Shire, 26, or 86.3% would be added within Arts and Recreation Services the sector. This includes the direct jobs created in the sector, and the effect of flow-on jobs within the same sector.

The largest increase in jobs outside Arts and Recreation Services would be in Retail Trade (1), Administrative and Support Services (1) and Wholesale Trade (0).

A total of 11 jobs are estimated to be created outside Leeton Shire, with the largest number being in Professional, Scientific and Technical Services (2) Accommodation and Food Services (1) and Administrative and Support Services (1).

Impact on value added by industry sector

This table shows a detailed breakdown of how adding \$2.8 million annual output in the Sports and Recreation Activities sector of Leeton Shire economy will impact on the value added of each industry sector. This highlights the relationships between industry. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

Value-added by industry

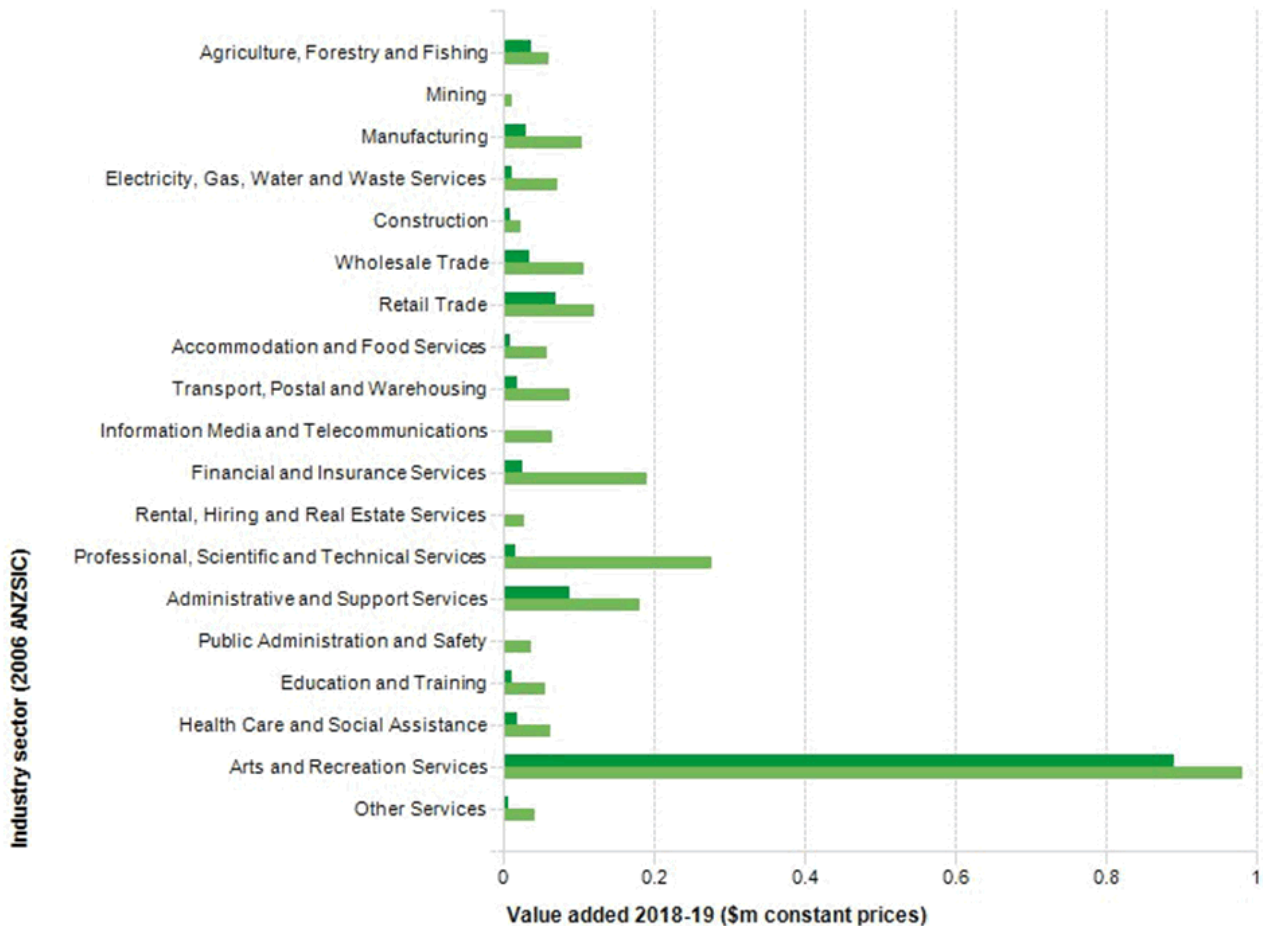
| Leeton Shire - Impact of \$2.8 million new sales in 'Sports and Recreation Activities' output (Type 1 & 2 combined impact) | | Value added 2018-19 (\$m constant prices) | | |
|--|----------------------------|--|-------------------|-----------------------------------|
| Industry sectors (1-digit ANSIC) | Current local value-added* | Value-added to Leeton Shire | Percentage change | Value-added to Australian economy |
| Agriculture, Forestry and Fishing | \$149.53 | \$0.04 | 0.0% | \$0.06 |
| Mining | \$12.33 | \$0.00 | 0.0% | \$0.01 |
| Manufacturing | \$101.30 | \$0.03 | 0.0% | \$0.11 |
| Electricity, Gas, Water and Waste Services | \$71.81 | \$0.01 | 0.0% | \$0.07 |
| Construction | \$28.22 | \$0.01 | 0.0% | \$0.02 |
| Wholesale Trade | \$12.39 | \$0.04 | 0.3% | \$0.11 |
| Retail Trade | \$20.82 | \$0.07 | 0.3% | \$0.12 |
| Accommodation and Food Services | \$9.93 | \$0.01 | 0.1% | \$0.06 |
| Transport, Postal and Warehousing | \$19.69 | \$0.02 | 0.1% | \$0.09 |
| Information Media and Telecommunications | \$1.05 | \$0.00 | 0.2% | \$0.07 |
| Financial and Insurance Services | \$9.50 | \$0.02 | 0.3% | \$0.19 |
| Rental, Hiring and Real Estate Services | \$4.75 | \$0.00 | 0.0% | \$0.03 |
| Professional, Scientific and Technical Services | \$12.73 | \$0.02 | 0.1% | \$0.28 |
| Administrative and Support Services | \$7.32 | \$0.09 | 1.2% | \$0.18 |
| Public Administration and Safety | \$19.22 | \$0.00 | 0.0% | \$0.04 |
| Education and Training | \$50.35 | \$0.01 | 0.0% | \$0.06 |
| Health Care and Social Assistance | \$28.01 | \$0.02 | 0.1% | \$0.06 |
| Arts and Recreation Services | \$0.54 | \$0.89 | 166.3% | \$0.98 |
| Other Services | \$7.59 | \$0.01 | 0.1% | \$0.04 |
| Total Industries | \$567.08 | \$1.29 | 0.2% | \$2.56 |

Source: National Institute of Economic and Industry Research (NIEIR) ©2021. Compiled and presented in economy.id by [id](#) informed decisions

Value-added by industry

Impact of \$2.8 million new sales in Sports and Recreation Activities sector

■ Value-added to Local GRP (industry) ■ Value-added to total Australian economy



Source: National Institute of Economic and Industry Research (NIEIR) ©2021
 Compiled and presented in economy.id by .id the population experts



The combination of all direct, industrial and consumption effects of adding \$2.8 million annual output to the Sports and Recreation Activities sector of Leeton Shire economy would result in an estimated increase in value added of \$1.29m in Leeton Shire economy.

The Arts and Recreation Services sector of the economy is estimated to increase in value added by 166.3%, with the total Leeton Shire economy estimated to grow by 0.2%.

The main impacts in value added within Leeton Shire, outside of Arts and Recreation Services, are in Administrative and Support Services (0.09m), Retail Trade (0.07m) and Agriculture, Forestry and Fishing (0.04m).

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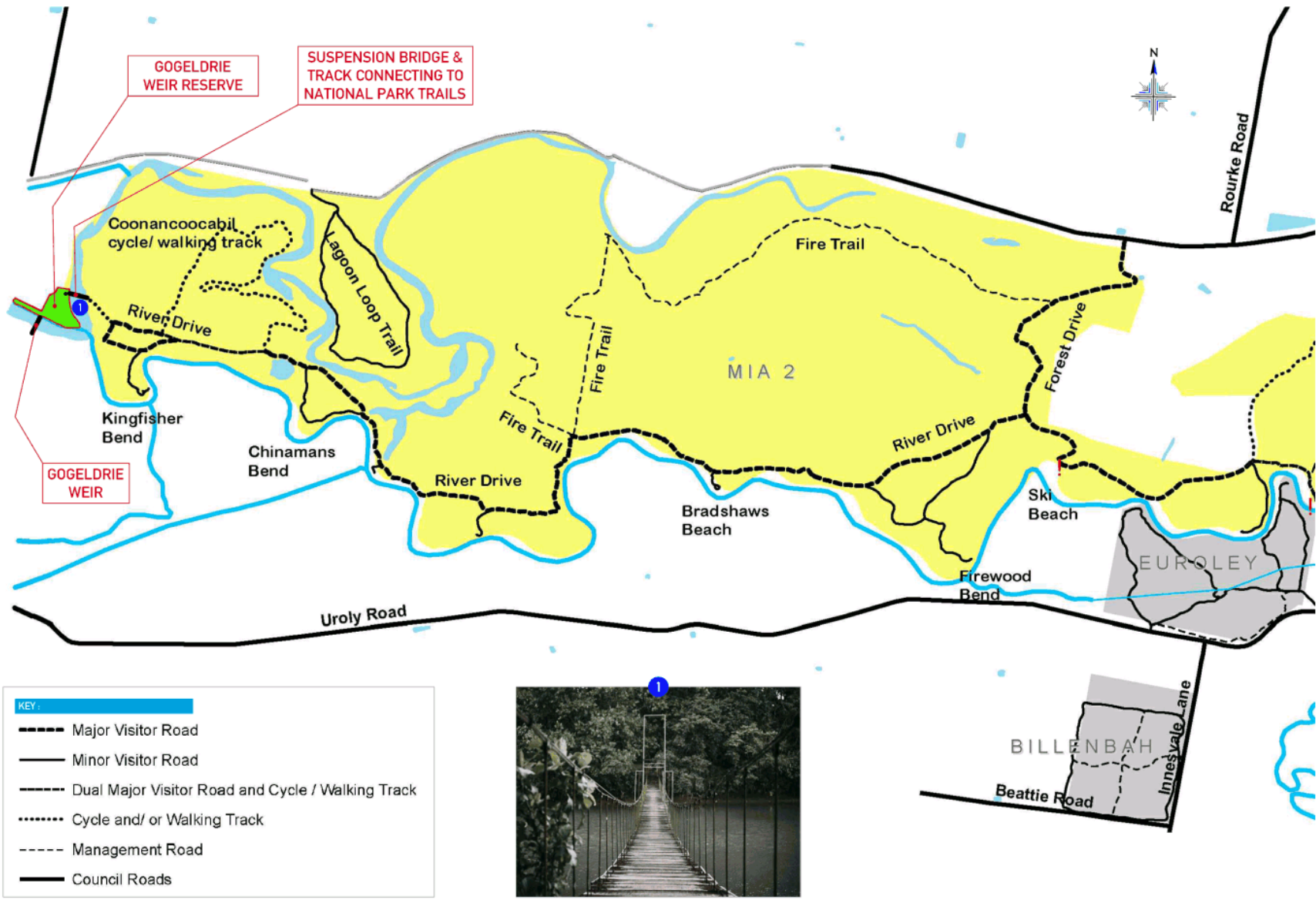


- GOGELDRIE WEIR RESERVE:**
- 1 RESERVE ENTRY & CAR PARKING
 - 2 WEIR PROMENADE & INTERPRETATION
 - 3 WEIR MAINTENANCE ACCESS
 - 4 EVENT/GATHERING SPACE
 - 5 PAVILION
 - 6 BBQ SHELTER & PICNIC TABLES
 - 7 WEIR VIEWING DECKS
 - 8 ACCESSIBLE PUBLIC TOILETS & WASTE COMPOUND
 - 9 GOGELDRIE BEACH & CANOE LAUNCH
 - 10 ACCESS ROAD & CAR PARKING
 - 11 BOAT TRAILER PARKING
 - 12 WIDENED BOAT RAMP
 - 13 BOAT LAUNCHING PONTOON
 - 14 WALKING TRACKS & CULTURAL HERITAGE INTERPRETATION
 - 15 PLAYGROUND
 - 16 INFORMAL BMX TRAILS
 - 17 BRIDGE CONNECTING TO MWNP TRAILS

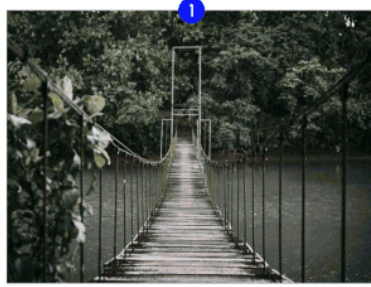




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 E. ADMIN@INTEGRATEDSITEDESIGN.COM.AU
 W. WWW.INTEGRATEDSITEDESIGN.COM.AU







| KEY | |
|-----|---|
| | Major Visitor Road |
| | Minor Visitor Road |
| | Dual Major Visitor Road and Cycle / Walking Track |
| | Cycle and/ or Walking Track |
| | Management Road |
| | Council Roads |



CONTACT US

INTEGRATED Site Design

ABN: 96609211716

-  02 66865290
-  3/181-183 River St, Ballina, NSW 2478
-  admin@integrationsitedesign.com.au
-  www.integrationsitedesign.com.au

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