

Media Release



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New measures to strengthen transparency and financial sustainability of councils

Elected councillors will be better informed about how their councils are performing and be in a stronger position to exercise more effective oversight of council operations under new regulations governing the operation of Audit, Risk and Improvement Committees (ARICs) and internal audit within NSW councils.

The purpose of an ARIC is to provide advice to the governing body on how to improve the council's performance and functions based on regular reviews of a council's operation.

Councils have been required to have ARICs since 4 June 2022, however, amendments to the regulation governing the Committees and internal audit processes have been made in response to recommendations from the Independent Commission Against Corruption and the NSW Audit Office.

These amendments and the updates to the Guidelines recognise that councils can tailor how their ARICs operate to reflect their size and operational risk.

The ARICs bring the same concept of oversight to councils, county councils and joint organisations of councils that apply to NSW Government agencies, enhancing accountability and transparency.

The amendments will require ARICs to have voting members who are suitably qualified and independent of the council, appointed for time limited terms.

Councils will be required to adopt approved terms of reference for their ARICs, along with an internal audit charter. ARICs are required to review councils':

- Legislative compliance;
- Risk management;
- Fraud control measures;
- Financial management;
- Governance;
- Implementation of the strategic plan;
- Delivery programs and strategies;
- Service reviews;
- Collection of performance measurement data by the council; and
- Any other matters prescribed by the regulations.

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The new regulations will not come into effect until 1 July 2024, giving councils time to comply. Councils can also share ARICs, reducing costs and making compliance easier.

Councils and joint organisations will be required to report on their ARIC and internal audit compliance in annual reports from 2024/25.

The new Regulations and Guidelines will be reviewed after four years of operation.

An updated version of the Guidelines for Risk Management and Internal Audit for Local Government has been published on Office of Local Government's website:

<https://www.olg.nsw.gov.au/councils/governance/risk-management-audit-and-internal-controls/risk-management-and-internal-audit-framework-for-local-councils-in-nsw/>

Quotes attributable to Deputy Secretary Local Government, Brett Whitworth:

“These reforms will give councillors a more complete picture of how their councils are operating and the areas of risk that need their close attention.

“The Guidelines that underpin the changes being made to the Regulation were developed through extensive consultation with the local government sector, industry bodies, and internal audit experts over several years, and are modelled on requirements applying to the State Government.

“Most councils have already taken steps to introduce the Guidelines, giving councillors better insight into the performance of their council, including any emerging financial risks.

“Our local communities are the ultimate winners here, as these reforms will improve transparency and accountability in the local government sector across NSW, giving residents more confidence in their councils.”

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