

13.2. REAPPOINTMENT - INDEPENDENT MEMBER - AUDIT RISK AND IMPROVEMENT COMMITTEE - ATTACHMENTS

1. 20220720 - Council Circular - 22-21 Update on membership requirements for ARIC committees - Office of Local Government

Attachment 1 - 20220720 - Council Circular - 22-21 Update on membership requirements for audit risk and improvement committees - OLG

20220720 - Council Circular - 22-21 Update on membership requirements for audit risk and improvement committees - OLG

From: "Office of Local Government" <newsletter@info.olg.nsw.gov.au>
Sent: Wed, 20 Jul 2022 12:18:29 +1100
To: "Info" <Info@svc.nsw.gov.au>
Subject: Council Circular 22-21 Update on membership requirements for audit, risk and improvement committees



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Local Government

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Council Circular

20 July 2022

22-21 Update on membership requirements for audit, risk and improvement committees

Circular Details	22-21 / 20 July 2022 / A824754
Previous circular	21-26 New risk management and internal audit framework for councils and joint organisations
Who should read this	General Managers / Councillors / Council governance staff / Audit, risk and improvement committee members and internal audit personnel
Contact	Council Governance Team / 02 4428 4100 / olg@olg.nsw.gov.au
Action	Information

20220720 - Council Circular - 22-21 Update on membership requirements for audit risk and improvement committees - OLG

Required	
PDF Version of Circular	 22-21 Update on membership requirements for audit, risk and improvement committees  22-21 Attachment

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What's new or changing

- Following recent discussions, the Office of Local Government (OLG) and NSW Treasury have agreed that the NSW Government's Prequalification Scheme for Audit and Risk Committee Chairs and Members will not be suitable for use by councils and joint organisations.
- OLG's draft *Guidelines for Risk Management and Internal Audit for Local Councils in NSW*, issued for consultation last year, contemplated that from June 2027 councils and joint organisations would be required to appoint Audit, Risk and Improvement Committee (ARIC) chairs and a prescribed number of ARIC members from the NSW Government prequalification scheme. Following discussions with NSW Treasury, OLG has taken the opportunity revisit this requirement, delaying the finalisation of the Guidelines.
- While OLG anticipates that this delay will not be significant, it recognises the need to give councils and joint organisations certainty, particularly given that some are currently in the process of establishing an ARIC for the first time and appointing chairs and members. The proposed new requirements for ARIC membership have therefore been set out in the attachment to this circular..

What this will mean for your council

- Under the new requirements, all councils (including county councils) and joint organisations will be required, at a minimum, to have an ARIC that comprises of the following:
 - one independent chair who meets the independence and eligibility criteria for an ARIC chair, and
 - at least two independent members who meet the independence and eligibility criteria for ARIC members – councils may appoint additional independent members should they choose to do so.
- Councils will also have the option of appointing one non-voting councillor member to their ARIC who meets the eligibility criteria for councillor members.
- The proposed independence and eligibility criteria for ARIC chairs and independent members and the proposed eligibility criteria for councillor members of ARICs are set out in the attachment to this circular.
- The above requirements will apply to all councils and joint organisations. The removal of the requirement for ARIC chairs and a prescribed number of ARIC members to be

appointed from the NSW Government prequalification scheme based on which tier a council is in, means that it is no longer necessary to place councils in tiers and these arrangements will no longer apply.

- Given that councils and joint organisations will no longer be required to appoint ARIC chairs and members from the NSW Government prequalification scheme, the timeframe for compliance with the ARIC membership requirements in the Guidelines will be brought forward to **1 July 2024**. As of that date all councils and joint organisations will be required to ensure ARIC chairs and members meet the eligibility and independence requirements set out in the Guidelines and have a risk management framework and internal audit function that complies with the Guidelines.

Key Points

- Under the *Local Government Act 1993*, all councils (including county councils) and joint organisations are required to have an ARIC or to have entered into an arrangement with another council or joint organisation to share an ARIC from **4 June 2022**.
- OLG recognises that some councils and joint organisations may have faced challenges in establishing an ARIC or shared arrangements for an ARIC ahead of the 4 June deadline and is prepared to accommodate some flexibility in implementation timeframes provided they can demonstrate that they are actively taking steps to appoint or share an ARIC.
- The Guidelines will be finalised soon. Full compliance with the requirements in the Guidelines will be required from **1 July 2024**.

Where to go for further information

- The proposed independence and eligibility criteria for ARIC chairs and independent members and the proposed eligibility criteria for councillor members are set out in the attachment to this circular.
- The draft *Guidelines for Risk Management and Internal Audit for Local Councils in NSW* provides further guidance on the proposed requirements for ARICs, the risk management framework and internal audit function. As noted above, the proposed requirement in the draft Guidelines to use the NSW Government prequalification scheme and the tiering arrangements will no longer apply.
- For further information please contact the Council Governance Team on 02 4428 4100 or by email at olg@olg.nsw.gov.au.
- If councils or joint organisations require assistance in establishing an ARIC or shared arrangements for an ARIC, they should contact their Council Engagement Manager at OLG.

Liz Moore

Acting Deputy Secretary, Crown Lands and Local Government

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2. CONFIDENTIAL ATTACHMENTS

Section 10D of the *Local Government Act 1993* provides that Council may close to the public that part of the meeting that deals with matters of a confidential nature. Section 10A(2) lists such matters.

The grounds on which a meeting is closed to the public must be specified in the decision to close the meeting and recorded in the minutes of the meeting.

RECOMMENDATION:

That Council move into Confidential to consider the matters listed in the confidential section of the agenda in accordance with Section 10A(2) of the *Local Government Act 1993* for the reasons specified:

11.2 CONFIDENTIAL - TUMUT AERODROME - PROPOSED FIRE CONTROL CENTRE COSTINGS

Item 11.2 is confidential under the *Local Government Act 1993* Sections 10A (2)(c) as it relates to information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business; (2)(d)(i) as it relates to commercial information of a confidential nature that would, if disclosed- prejudice the commercial position of the person who supplied it; and (2)(d)(ii) as it relates to commercial information of a confidential nature that would, if disclosed- confer a commercial advantage on a competitor of the council, and Council considers that discussion of the matter in an open meeting would be, on balance, contrary to the public interest.