

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