



# Audit, Risk and Improvement Committee Strategic Plan 2024-2028

## 1. Introduction

The Council of Lockhart Shire is committed to good governance and continuous improvement to ensure that the community continues to receive high quality and sustainable services from Council.

The Council's Audit, Risk and Improvement Committee ('**ARIC**') is established to offer independent assurance to the Council by overseeing, assessing, and advising on the governance processes, compliance with regulations, management of risks, control frameworks, external accountability responsibilities, and the general performance of the Council.

This document is developed to manage the elements mandated for continuous evaluation by the ARIC as per the *Local Government Act 1993* ('**the Act**'), the *Local Government (General) Regulation 2021* ('**the Regulation**') and considering *the Guidelines for Risk Management and Internal Audit for Local Government in NSW* ('**the Guidelines**'). It aims to ensure oversight of relevant areas of Council while providing the appropriate leeway for the Committee to adapt to evolving industry trends or specific risks faced by the Council over time, guided by yearly work plans.

The Guidelines provide acknowledgement that the exact nature of each ARIC's role and the specific activities it reviews on behalf of a council under section 428A of the Local Government Act will need to be flexible to deal with arising needs, risks and business functions. The strategic plan outlines the actions and activities that will be the focus of the Committee over its term from 2024 – 2028.



## 2. Governance Structure

The Act, Regulation and the Guidelines require each council in NSW to have 3 mandatory governance mechanisms to ensure that councils are on track to delivering their community's goals and objectives:

- 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.

The ARIC is a committee established by resolution of the elected Council and is accountable to the Council for delivering on this document. The Committee forms a part of the Council's Corporate Governance Framework, and in accordance with the terms of reference will provide independent advice and assurance to Council. The Committee reports to the Council's Governing body on strategic matters, but administratively to General Manager of the Council.

The ARIC is responsible for the functional operations of the Internal Audit Function of Council, through a shared Internal Audit Coordinator with 6 Councils, Bland, Cootamundra-Gundagai, Coolamon, Junee, Lockhart and Temora ('**Internal Audit Alliance**'). This role administratively is supported by Bland Shire Council.

The governance of the ARIC is set by the Council's endorsed terms of reference and internal audit charter. The ARIC is an advisory body only. It exercises no administrative functions, has no delegated financial responsibilities, and does not perform any management functions of council.

### Membership

The Committee is made of 3 independent members (inclusive of the chair) who are appointed by Council resolution. The members must satisfy the independence and eligibility criteria set out in the *Local Government (General) Regulation 2021* s 216D - 216F ('**Regulation**'). The ARIC has a shared chair with the Council's within the Internal Audit Alliance.

One non-voting Councillor may be appointed by resolution to attend as an observer to the ARIC under the Regulation s 216C(2).



## 3. Strategic Objectives

This document establishes the key matters to be kept under review by the Committee. The following matters are provided under section 428A of the Act as matters that must be reviewed by the ARIC and separated into the Audit, Risk and Improvement aspects for clarity of this plan.

### Audit

The ARIC must keep the following audit functions under review:

- Internal Audit (Regulation s 216R), and
- External Audit (Guidelines, p 78)

### Risk

The ARIC must keep the following risk functions under review:

- Compliance Framework (Act 428A(2)(a))
- Risk Management (Act 428A(2)(b))
- Fraud and Corruption Control Framework (Act 428A(2)(c))
- Financial Management Framework (Act 428A(2)(d))
- Governance Framework (Act 428A(2)(e))

### Improvement

The ARIC must keep the following improvement functions under review:

- Strategic Planning (Act 428A(2)(f))
- Service Reviews (Act 428A(2)(g))
- Business Improvement (Act 428A(3))
- Performance Data and measurement (Act 428A(2)(h))

The following sections of this document break down the strategic objectives and assign activities to ensure that the purpose of the ARIC can be delivered effectively. It is noted that there is some crossover where activities will deliver multiple objectives.



# Audit

## Internal Audit

An internal audit function is an independent, objective assurance and consulting activity designed to add value and improve a Council's operations. It helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.<sup>1</sup>

The structure of the Internal Audit program is to have a unified annual audit plan across the six Alliance Councils, with minor variation to match the risk profile of Council as required.

Council has adopted an Internal Audit Charter, and the ARIC has a functional responsibility for the Internal Audit program.

The ARIC will provide overall strategic oversight of internal audit activities including:

Code	Objective	Activities	Timeframe
1.1	Act as a forum for communication between the Council, General Manager, senior management, the internal audit function and external audit.	Attendance at ARIC meetings by key participants.	Quarterly
1.2		ARIC minutes provided to council after each meeting	Quarterly
1.3		ARIC meets with Internal Audit Coordinator and External Audit.	Annually
1.4	Coordinate, the work programs of internal audit and other assurance and review functions.	ARIC review and endorse strategic and annual internal audit plan.	Annually
1.5	Review and advise the Council of the strategic four-year plan and annual work plan of internal audits to be undertaken by the Council's internal audit function.	ARIC review other work plans including service reviews, governance, risk and control assurance work to determine any overlap with proposed IA work.	Annually
1.6	Review and advise the Council if it is complying with internal audit requirements, including:	Self-assessment against IPPF (IIA standards)	Annually
1.7	- Conformance with the International Professional Practices Framework (IPPF),	Review Council's attestation statement in annual report for conformance with OLG regulation and guidelines	Annually
1.8	- Risk Management and Internal Audit Guidelines.	Independent external quality assurance review	Once each Council term
1.9	Review and advise the Council on whether the Council is providing the resources necessary to successfully deliver the internal audit function.	Internal Audit Performance Report	Annually

<sup>1</sup> Adapted from the [IPPF definition of Internal Auditing](#)



Code	Objective	Activities	Timeframe
1.10	Review and advise the Council if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities.	Communications between the General Manager, head of internal audit and Chair of the ARIC on annual performance appraisal of internal audit (in-house and external provider).	Annually
1.11	Review and advise the Council on the appointment of the head of the internal audit function and external providers.	Consultation with ARIC independent chair in recruitment and/or EOI. (As required for end of term or vacancies).	As required
1.12	Review and advise the Council of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised.	Receive Internal Audit Reports and provide advice on the implementation of recommendations	Quarterly, with each report
1.13	Review and advise the Council of the implementation by Council of corrective actions.	Quarterly report monitoring implementation of recommendations	Quarterly report

## External Audit

The ARIC will assist Council achieve maximum value from its external audit engagement by acting as a forum for communication and coordinating (as much as practical) the approach of management to matters relating to internal and external audit. The ARIC will provide input into the financial statement and performance audit services as well as monitoring Council's implementation of findings.

Code	Objective	Activities	Timeframe
2.1	Act as a forum for communication between the Council, General Manager, senior management, the internal audit function, and external audit.	Resolved by 1.1	
2.2	Coordinate as far as is practicable, the work programs of internal audit and external audit.	Resolved by 1.3 and 1.4	
2.3	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 and provide advice in relation to the Audit Office of NSW plan for performance audit coverage.	Annually
2.4		Review reports on progress on the financial statement audit and any relevant performance audit coverage.	Annually, or as required



<b>Code</b>	<b>Objective</b>	<b>Activities</b>	<b>Timeframe</b>
2.5	Review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of audit recommendations.	Review reports on implementation of recommendations for improvement arising from: <ul style="list-style-type: none"><li>- External audit management letters</li><li>- Performance audit reports relevant to council</li><li>- Significant changes or issues raised in better practice guides/standards.</li></ul>	Annually, or as required
2.6	Provide advice to Council and/or the General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides.	Provide advice as required.	As required.

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# Risk

## Financial Management

The ARIC will provide oversight of the financial management practices of the organisation and ensuring that they are consistent with the principles of sound governance, accountability and transparency. The ARIC plays a key role in ensuring the integrity and reliability of the financial statements and reports of the organisation; however, the ARIC does not duplicate the financial audits conducted by the NSW Audit Office but complements the external assurance with oversight of the broader practices of financial management. The ARIC advises on financial management matters such as the adequacy and effectiveness of internal controls with its broader knowledge of Council practice and provide feedback to Council on areas of concern or improvement as they arise.

The ARIC will:

Code	Objective	Activities	Timeframe
3.1	Review compliance with accounting standards and external accountability requirements. Review the appropriateness of Council accounting policies and disclosures.	Resolved by 2.2, 2.4 and 2.4.	
3.2	Understand and facilitate communication with the General Manager, Council and External Audit on the implications for Council of the findings of external audits and performance audits and Council responses and implementation of recommendations.	As outlined in External Audit activities 2.1-2.6	As required
3.3	Whether the Council financial statement preparation procedures and timelines are sound and the accuracy of the Council annual financial statements prior to external audit, including: <ul style="list-style-type: none"> <li>- management compliance/representations</li> <li>- significant accounting and reporting issues</li> <li>- methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements.</li> <li>- appropriate management signoff on the statements.</li> <li>- If effective processes are in place to ensure financial information</li> </ul>	Review financial statements prior to Council endorsement for audit.	Annually, at an extraordinary meeting.



Code	Objective	Activities	Timeframe
	<p>included in the Council report is consistent with signed financial statements.</p> <ul style="list-style-type: none"> <li>- If the Council financial management processes are adequate.</li> </ul>		
3.4	Review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of audit recommendations.	Resolved by 2.4	
3.5	Review the adequacy of cash management policies and procedures.	Review of notes to annual financial statements at extraordinary meeting.	Annually
3.6		Review long term financial plan	Annually
3.7		Review investment policy	Once per term
3.8	Advise if there are adequate controls over financial processes, including:	AP Audit included in Internal Audit Plan once/term	Once per term
3.9	<ul style="list-style-type: none"> <li>- appropriate authorisation and approval of payments and transactions</li> <li>- adequate segregation of duties</li> <li>- timely reconciliation of accounts and balances</li> <li>- review of unusual and high value purchases</li> </ul>	Identified fraud instances reported to ARIC with investigation recommendations	As required
3.10	Advise if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate.	Long term financial plan review will include appropriate detail on the development of the plan	As due for review
3.11	If Council grants and tied funding policies and procedures are sound.	Review of policies relating to grants are reported to ARIC.	As due for review.





## Compliance

Council is committed to working towards compliance with the requirements set for the organisation. These requirements can often be very complex and come from a range of sources. The ARIC has a responsibility for providing advice to Council to assist with achieving and maintaining compliance with all laws, regulations, internal policies and procedures. As matters are reported to the ARIC, the ARIC should provide advice on how to achieve compliance.

The ARIC will:

Code	Objective	Activities	Timeframe
4.1	Review and advise if the Council has appropriately considered legal and compliance risks as part of the Council risk management framework	Legislative compliance mechanisms will be reported to ARIC for advice.	Annually
	Review and advise on procedures relating to 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.		
4.2	Provide advice on emerging issues or industry changes that arise	As required	As required

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## Risk Management

The Council is committed to integrating risk management into every aspect of its business practices and decision-making processes. The Enterprise Risk Management Framework (ERM) is relevant to everyone within the organisation, such as Councillors, employees, management and contractors. It is relevant to all the council's existing and future strategic and operational projects, policies, strategies and plans. The ERM is based on the principles of ISO 31000:2018 and the ARIC will support Council to integrate these standards into practice.

The ARIC will:

Code	Objective	Activities	Timeframe
5.1	Review and advise the Council: if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard.	Report on review of the risk management framework against the Australian risk management framework and OLG guidelines in accordance with the annual attestation.	Annually
5.2	Advise Council if it is providing the resources necessary to successfully implement its risk management framework.	A regular risk management update report will be provided to the ARIC addressing these factors.	Quarterly
	Advise Council if the risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated individual projects, programs, WHS and other activities.		
5.3	Assist Council understand how risk management can be integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting.	Strategic Risk register will be reported to ARIC.	Annually
	Advise Council of the adequacy of risk reports and documentation, for example, the Council risk register and risk profile		
5.4	Review whether a sound approach has been followed in developing risk management plans for major projects or undertakings.	Risk management plans for major projects (greater than \$1 million capex) will be reported to ARIC.	As required
5.5	Review whether appropriate policies and procedures are in place for the management and exercise of delegations.	Delegations register and associated policies will form part of the internal audit plan	Once per term
5.6	Assess if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour.	Code of Conduct and Public Interest Disclosure complaint data will be reported	Annually



Code	Objective	Activities	Timeframe
5.7	Advise Council if there is a positive risk culture within the Council and strong leadership that supports effective risk management.	Report on review of the risk management framework including any updates on embedded culture, leadership, training and any concerns with operation of the framework.	Once per term
5.8	Provide advice on the adequacy of staff training and induction in risk management.		
5.9	Assess if Council is able to demonstrate how the Council risk management approach impacts on the Council insurance arrangements.	Report to ARIC on insurance arrangements and claims data	At least annually
5.10	Assess the effectiveness of Council management of its assets.	Asset management to be considered as a topic for internal audit	Once per term
5.11	Provide advice on the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.	Report to ARIC assessing efficacy of existing plans and testing of the sub-plans	Annually
5.12	Assess whether Council has in place relevant policies and procedures and that these are periodically reviewed and updated.	Council's Policy Framework will be subject to an internal audit	Once per term

## Fraud Control

The ARIC monitors the implementation of the Council's Fraud and Corruption Control Framework and receives regular reports on fraud prevention, detection, and response activities. The ARIC will (where appropriate) review the results of any fraud investigations and ensures that actions are taken to address any identified weaknesses or risks. The ARIC supports the Council's commitment to fostering a culture of integrity and ethical conduct and to protecting the Council's reputation, assets, and resources from fraud and corruption.

The ARIC will:

Code	Objective	Activities	Timeframe
6.1	Review and advise the Council of the adequacy and effectiveness of the Council fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.	Receive deidentified updates on any on-going Fraud and Corruption investigations permissible to be disclosed to the ARIC.	As required.
6.2		Include Fraud and Corruption control within the Internal Audit Plan	Once per term



## Governance

The ARIC will provide advice to the Council regarding what adequate governance practices within the Council should be. The ARIC will review compliance with legislative and statutory requirements, policies, procedures and standards relating to governance. The purpose of this oversight is to ensure that promotion of public confidence in Council. It is noted that this oversight has significant overlap with the other sections of the ARIC responsibilities but distinctly ensures that Council has a clear direction, planning and reporting.

The ARIC will:

Code	Objective	Activities	Timeframe
7.1	Review and advise the Council on the Governance Framework to ensure it is appropriately directing and controlling management of Council.	Council resolutions outstanding greater than 1 year reported to ARIC	As required.
7.2		Internal Audit Plan will review elements of the Governance Framework	As required
7.3		Review of Corporate Governance Framework aligned to NSW Audit Office Governance Lighthouse reported to ARIC.	Once per term
7.4	Review and advise Council on the adequacy of information and communications technology (ICT) governance, and the use of data, information and corporate knowledge	Cyber-security and Records Management included within Internal Audit Plan.	Once per term



# Improvement

## Implementation of the strategic plan, delivery program and strategies

The ARIC will provide feedback on Council's the Council corporate planning processes, which includes the strategic plan, the delivery program and other related strategies. The ARIC monitors how the Council aligns its strategic goals with its delivery plans, budgets and performance indicators. The ARIC helps the Council to improve its accountability, transparency and effectiveness in delivering services to the community.

The ARIC will:

Code	Objective	Activities	Timeframe
8.1	Review and advise the Council of the adequacy and effectiveness of the Council IP&R processes and if the Council is successfully implementing and achieving its IP&R objectives and strategies.	Report on IP&R plans (major revisions or significant matters identified through quarterly/annual reviews) <ul style="list-style-type: none"> <li>- Long term financial planning</li> <li>- Workforce planning</li> <li>- Information on performance indicators setting and measuring performance.</li> </ul>	As required with IP&R cycle.
8.2		Internal Audit Plan will review IP&R	Once per term
8.3	Assess if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives,	Annual report (and financial statements) is reviewed by the ARIC.	Annually



## Service Reviews

Service reviews are a mechanism that Councils use to consider the services that Councils deliver and their delivery methods, including assessment of quantitative and qualitative data on the service. A service review should consider not only the service level, but also the structure and mechanisms used by Council to deliver the service. As service reviews are a newer part of NSW Local Government Integrated Planning and Reporting (IP&R) requirements, Councils are developing frameworks for the approach to service reviews and this part of the plan may need to be amended throughout the term of the plan to suit the emerging practices.

The ARIC will:

Code	Objective	Activities	Timeframe
9.1	Review and advise 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	Report/update on service review framework and planned program of work.	Annually
9.2	Assess and provide advice if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance.	Reports on each Service Review will be presented to ARIC	As required.
9.3		Delivered through 9.1 and 9.2.	

## Collection of performance measurement data by the Council

An essential element of the Council's ability to understand performance is the accurate, regular and useful performance measurement data on Council's performance. The ARIC has a role in ensuring that Council is satisfactorily understanding the services it delivers to the community. This requirement forms the broader approach of the ARIC, and not specific actions for the Committee to review.

The ARIC will:

Code	Objective	Activities	Timeframe
10.1	Review and advise if Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives	This is achieved through multiple actions on the reporting of service reviews (9.2) and IP&R documents to ARIC. It may also be achieved by Internal Audits through assessment of performance measures.	



## Continuous Improvement

The ARIC must provide information to the Council that will assist in improving the Council's functions in accordance with the *Local Government Act 1993* s 428A(3). This requirement is best met by the Council and the ARIC having strong communication and transparency in discussing matters that the ARIC may be able to assist with. The ARIC members have been selected based on their background and skills, and Council should leverage these skills for appropriate advice.

The ARIC will:

Code	Objective	Activities	Timeframe
11.1	Advise how the Council can improve its service delivery and the Council performance of its business and functions generally.	This is achieved through multiple actions on the reporting of service reviews (9.2) and IP&R documents to ARIC. It may also be achieved by Internal Audits through assessment of performance measures. The ARIC may also provide ad hoc advice to the Council on emerging industry matters.	

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## 4. ARIC Operations

### Meeting dates and locations

The ARIC will meet four times per year, and extraordinary meetings may be called with consultation with the General Manager. At least one meeting per year should be held in person or hybrid.

### Agenda and Business Papers

This document provides the high-level plan for the ARIC over the term of the Committee and is supplemented by a 12-month forward agenda and annual workplan that provides for the items that will be included on each agenda. The General Manager, in consultation with the ARIC Chair may include additional items that should be reported to the ARIC in accordance with the terms of reference.

Business papers will be supplied to the Committee at least 5 days prior to each meeting, however late reports may be provided by the General Manager or the Chair at any time.

### Reporting and Communication

The minutes of the ARIC will be reported to Council for notation, along with a report on any particular matters that must be referred to the governing body for endorsement. The non-voting Councillor representative may also, where appropriate, consult with other Councillors on matters before the ARIC before or after the meeting.

The ARIC will also prepare an annual report to the Council providing an overview of the activities of the Committee over the preceding financial year.

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