



# Local Government Remuneration Tribunal

Ref: A4374304

To Mayors/General Managers

29 October 2019

Dear Mayors/General Managers

I write to advise that the Local Government Remuneration Tribunal has commenced its review for the 2020 annual determination.

Pursuant to s. 241 of the *Local Government Act 1993* (LG Act), the Tribunal is required to make an annual determination, by no later than 1 May 2020, on the fees payable to Councillors and Mayors to take effect from 1 July 2020.

In accordance with the LG Act, and as foreshadowed in the 2019 Report and Determination, the Tribunal will undertake a review of the categories as part of the 2020 review. Section 239 of the LG Act requires the Tribunal to determine the categories of councils and mayoral offices at least once every 3 years.

The Tribunal last undertook a significant review of the categories and the allocation of councils into each of those categories in 2017. The review was prompted by the amalgamation of councils resulting in the creation of 20 new councils and an overall reduction in the number of councils in NSW from 152 to 128.

In reviewing the categories, the Tribunal examined a range of statistical and demographic data and considered the views of councils and Local Government NSW (LGNSW). Having regard to that information, the Tribunal determined a categorisation model which differentiates councils primarily on the basis of their geographic location. Other factors which differentiate councils for the purpose of categorisation include population, the sphere of the council's economic influence and the degree of regional servicing.

## Existing categorisation

Each of the 128 councils is allocated into one of the following nine categories:

### Metropolitan

- Principal CBD
- Major CBD
- Metropolitan Large
- Metropolitan Medium
- Metropolitan Small

### Non-metropolitan

- Regional City
- Regional Strategic Area
- Regional Rural
- Rural

The criteria for each of the categories are outlined on pages 16 to 19 of the 2019 determination.

## 2020 review

The Tribunal foreshadowed in the 2019 Report and Determination that a case may exist to revise some categories and their applicable criteria:

*"12. A few submissions have suggested alternative categorisation models. The Tribunal will consider this in detail in the 2020 review. The Tribunal intends to commence the 2020 annual review earlier than usual to ensure there is time to review the existing model and to examine alternatives. The Tribunal is of the preliminary view that a case may exist to revise the number of categories, and their applicable criteria, particularly for regional and rural councils."*

The Tribunal has reviewed the existing model and proposes to create a new category for Non-Metropolitan councils. The new category, if determined, is proposed to be titled Regional Centre.

The Tribunal considers that changes to the categories and criteria applicable to Metropolitan councils and county councils are not warranted at this time.

The proposed categories and applicable criteria are outlined in **Attachment 1** and the proposed allocation of councils into each of those categories is outlined in **Attachment 2**.

## Fees

The Tribunal will also determine the minimum and maximum fee levels for each category in the categorisation structure.

In accordance with section 242A of the LG Act the Tribunal is required to apply the Government's public sector wages policy to the determination of ranges of fees for Councillors and Mayors. The public sector wages policy currently provides for a cap on increases of 2.5 per cent.

Sub-sections (3) and (4) of section 242A makes it clear that the minimum and maximum fees applicable to the existing categories cannot be increased by more than 2.5 per cent. The Tribunal is however able to determine that a council can be placed in another category with a higher range of remuneration without breaching the government's wage policy.

The range of fees payable to the proposed new category of Regional Centre, if determined, will be between the ranges of fees currently paid to Regional Rural and Regional Strategic Centre.

## Submissions

The Tribunal invites submissions from individual councils addressing the following four matters:

1. **Proposed classification model and criteria**  
Comments on the proposed classification model outlined in **Attachment 1**, including the titles and criteria for each category.
2. **Allocation in the proposed classification model**  
Comments on the appropriate allocation for their individual council in the proposed classification model outlined in **Attachment 2**, having regard to the proposed criteria for each category.
3. **Range of fees payable in the proposed classification model**  
Comments on the ranges of fees for the proposed classification model, having regard to the Tribunal's obligations under section 242A of the LG Act as outlined above. Any recommendations in respect of the proposed new category of Regional Centre, if determined, should have regard to the capacity of their individual council to pay any increase in fees (**Attachment 2**).
4. **Other matters**  
Councils may wish to address other matters within the Tribunal's jurisdiction under the LG Act.

**Deadline and where to send submissions**

The Tribunal has a limited period to undertake the annual review and the determination is required to be made before 1 May. For that reason, council submissions should be submitted as follows:

**Deadline:** No later than Friday 20 December 2019  
**Send to:** catherine.power@psc.nsw.gov.au  
**(hard copies of submissions are not required)**

Please note that any material provided to the Tribunal may be made available to any member of the public under the *Government Information (Public Access) Act 2009*.

As part of the annual review the Tribunal will seek to meet with LGNSW, as it does each year, to receive a sector wide view on local government in NSW.

If you require any further information, please email sarah.bradshaw@psc.nsw.gov.au or telephone on 02 9272 6006.

Yours sincerely



Dr Robert Lang  
**Local Government Remuneration Tribunal**

Enclosed: Attachment 1 and Attachment 2

## Local Government Remuneration Tribunal – 2020 Annual Review - Proposed Classification Model

### General Purpose Councils - Metropolitan

No changes are proposed to the titles and criteria for Metropolitan Councils. The titles and criteria as determined in the 2019 Annual Determination are below.

#### Principal CBD

The Council of the City of Sydney (the City of Sydney) is the principal central business district (CBD) in the Sydney Metropolitan area. The City of Sydney is home to Sydney's primary commercial office district with the largest concentration of businesses and retailers in Sydney. The City of Sydney's sphere of economic influence is the greatest of any local government area in Australia.

The CBD is also host to some of the city's most significant transport infrastructure including Central Station, Circular Quay and International Overseas Passenger Terminal. Sydney is recognised globally with its iconic harbour setting and the City of Sydney is host to the city's historical, cultural and ceremonial precincts. The City of Sydney attracts significant visitor numbers and is home to 60 per cent of metropolitan Sydney's hotels.

The role of Lord Mayor of the City of Sydney has significant prominence reflecting the CBD's importance as home to the country's major business centres and public facilities of state and national importance. The Lord Mayor's responsibilities in developing and maintaining relationships with stakeholders, including other councils, state and federal governments, community and business groups, and the media are considered greater than other mayoral roles in NSW.

#### Major CBD

The Council of the City of Parramatta (City of Parramatta) is the economic capital of Greater Western Sydney and the geographic and demographic centre of Greater Sydney. Parramatta is the second largest economy in NSW (after Sydney CBD) and the sixth largest in Australia.

As a secondary CBD to metropolitan Sydney the Parramatta local government area is a major provider of business and government services with a significant number of organisations relocating their head offices to Parramatta. Public administration and safety has been a growth sector for Parramatta as the State Government has promoted a policy of moving government agencies westward to support economic development beyond the Sydney CBD.

The City of Parramatta provides a broad range of regional services across the Sydney Metropolitan area with a significant transport hub and hospital and educational facilities. The City of Parramatta is home to the Westmead Health and Medical Research precinct which represents the largest concentration of hospital and health services in Australia, servicing Western Sydney and providing other specialised services for the rest of NSW.

The City of Parramatta is also home to a significant number of cultural and sporting facilities (including Sydney Olympic Park) which draw significant domestic and international visitors to the region.

**Local Government Remuneration Tribunal – 2020 Annual Review - Proposed Classification Model****Metropolitan Large**

Councils categorised as Metropolitan Large will typically have a minimum population of 200,000.

Other features may include:

- total operating revenue exceeding \$200M per annum
- the provision of significant regional services to greater Sydney including, but not limited to, major education, health, retail, sports, other recreation and cultural facilities
- significant industrial, commercial and residential centres and development corridors
- high population growth.

Councils categorised as Metropolitan Large will have a sphere of economic influence and provide regional services considered to be greater than those of other metropolitan councils.

**Metropolitan Medium**

Councils categorised as Metropolitan Medium will typically have a minimum population of 100,000.

Other features may include:

- total operating revenue exceeding \$100M per annum
- services to greater Sydney including, but not limited to, major education, health, retail, sports, other recreation and cultural facilities
- industrial, commercial and residential centres and development corridors
- high population growth.

The sphere of economic influence, the scale of council operations and the extent of regional servicing would be below that of Metropolitan Large councils.

**Metropolitan Small**

Councils categorised as Metropolitan Small will typically have a population less than 100,000.

Other features which distinguish them from other metropolitan councils include:

- total operating revenue less than \$150M per annum.

While these councils may include some of the facilities and characteristics of both Metropolitan Large and Metropolitan Medium councils the overall sphere of economic influence, the scale of council operations and the extent of regional servicing would be below that of Metropolitan Medium councils.

## Local Government Remuneration Tribunal – 2020 Annual Review - Proposed Classification Model

### General Purpose Councils - Non-Metropolitan

A new category (Regional Centre) is proposed between Regional Strategic Area and Regional Rural. The existing category of Regional City is to be renamed Major Regional City. New and amended criteria are outlined below.

#### Major Regional City

Councils categorised as Major Regional City will typically have a population above 150,000.

These councils:

- are metropolitan in nature with major residential, commercial and industrial areas
- typically host government departments, major tertiary education and health facilities and incorporate high density commercial and residential development
- provide a full range of higher order services and activities along with arts, culture, recreation and entertainment facilities to service the wider community and broader region
- typically contain ventures which have a broader State and national focus which impact upon the operations of the council.

Newcastle City Council and Wollongong City Councils are categorised as Major Regional City.

#### Regional Strategic Area

Councils categorised as Regional Strategic Area are differentiated from councils in the Regional Centre category on the basis of their significant population and will typically have a population above 200,000.

These councils:

- contain a mix of urban and rural settlements
- provide a range of services and activities including business, office and retail uses, along with arts, culture, recreation and entertainment facilities to service the wider community
- host tertiary education campuses and health facilities.

While councils categorised as Regional Strategic Area may have populations which exceed those of Regional City, they would not typically provide the same range of regional services or have an equivalent sphere of economic influence.

Central Coast Council and Lake Macquarie Council are categorised as Regional Strategic Area.

#### Regional Centre

Councils categorised as Regional Centre will typically have a minimum population of 40,000.

Other features may include:

- a large city or town providing a significant proportion of the region's housing and employment
- health services, tertiary education services and major regional airports which service the surrounding and wider regional community
- a full range of high-order services including business, office and retail uses with arts, culture, recreation and entertainment centres
- total operating revenue exceeding \$100M per annum
- a degree of economic activity within the Council area characterised by a Gross State Product exceeding \$2B
- the highest rates of population growth in regional NSW
- significant visitor numbers to established tourism ventures and major events that attract state and national attention
- a proximity to Sydney which generates economic opportunities.

Councils in the category of Regional Centre are often considered the geographic centre of the region providing services to their immediate and wider catchment communities.

**Local Government Remuneration Tribunal – 2020 Annual Review - Proposed Classification Model****Regional Rural**

Councils categorised as Regional Rural will typically have a minimum population of 20,000.

Other features may include:

- a large urban population existing alongside a traditional farming sector, and are surrounded by smaller towns and villages
- health services, tertiary education services and regional airports which service a regional community
- a broad range of industries including agricultural, educational, health, professional, government and retail services
- large visitor numbers to established tourism ventures and events.

Councils in the category of Regional Rural provide a degree of regional servicing below that of a Regional Centre.

**Rural**

Councils categorised as Rural will typically have a population less than 20,000.

Other features may include:

- one or two significant townships combined with a considerable dispersed population spread over a large area and a long distance from a major regional centre
- a limited range of services, facilities and employment opportunities compared to Regional Rural councils
- local economies based on agricultural/resource industries.

Local Government Remuneration Tribunal – 2020 Annual Review - Proposed Allocation of Councils

Proposed allocation of councils

Table 1: General Purpose Councils - Metropolitan

Principal CBD	Major CBD	Metropolitan Large	Metropolitan Medium	Metropolitan Small
Sydney	Parramatta	Blacktown	Bayside	Burwood
		Canterbury-Bankstown	Campbelltown	Camden
		Cumberland	Georges River	Canada Bay
		Fairfield	Hornsby	Hunters Hill
		Liverpool	Ku-ring-gai	Lane Cove
		Northern Beaches	Inner West	Mosman
		Penrith	Randwick	North Sydney
		Sutherland	Ryde	Strathfield
			The Hills	Waverley
				Willoughby
				Woollahra

Table 2: General Purpose Councils – Non-Metropolitan

Regional City	Regional Strategic Area	Regional Centre		Regional Rural
Newcastle	Central Coast	Albury	Mid-Coast	Bega
Wollongong	Lake Macquarie	Armidale	Orange	Broken Hill
		Ballina	Port Macquarie-Hastings	Byron
		Bathurst	Port Stephens	Eurobodalla
		Blue Mountains	Queanbeyan-Palerang	Goulburn Mulwaree
		Cessnock	Shellharbour	Griffith
		Clarence Valley	Shoalhaven	Kempsey
		Coffs Harbour	Tamworth	Kiama
		Dubbo	Tweed	Lithgow
		Hawkesbury	Wagga Wagga	Mid-Western
		Lismore	Wingecarribee	Richmond Valley Council
		Maitland	Wollondilly	Singleton
				Snowy Monaro

Rural			
Balranald	Cootamundra-Gundagai	June	Oberon
Bellingen	Cowra	Kyogle	Parkes
Berrigan	Dungog	Lachlan	Snowy Valleys
Bland	Edward River	Leeton	Temora
Blayney	Federation	Liverpool Plains	Tenterfield
Bogan	Forbes	Lockhart	Upper Hunter
Bourke	Gilgandra	Moree Plains	Upper Lachlan
Brewarrina	Glen Innes Severn	Murray River	Uralla
Cabonne	Greater Hume	Murrumbidgee	Walcha
Carrathool	Gunnedah	Muswellbrook	Walgett
Central Darling	Gwydir	Nambucca	Warren
Cobar	Hay	Narrabri	Warrumbungle
Coolamon	Hilltops	Narrandera	Weddin
Coonamble	Inverell	Narromine	Wentworth
			Yass

Table 3: County Councils

Water	Other
Central Tablelands	Castlereagh-Macquarie
Goldenfields Water	Central Murray
Riverina Water	Hawkesbury River
Rous	New England Tablelands
	Upper Hunter
	Upper Macquarie



**Request for consideration by the Berrigan Shire Council at their earliest convenience.**

Subject: Tocumwal Aerodrome Procedures  
-----

Date: 21 November 2019

Author: [REDACTED]

Dear Councillors,

Please allow me to put the following request before you.

1/ The abolishment of a requirement from BSC to only allow vehicles onto the Tocumwal Aerodrome that carry full comprehensive insurance.

*Motivation of request:*

*The above requirement is unique to the Tocumwal Aerodrome. Such requirement is not common elsewhere in Australia. In fact I know of no other aerodrome where this is a requirement. The requirement for comprehensive insurance serves no purpose either, as it places a burden on the vehicle owner (significantly higher insurance cost) for no benefit to the BSC. The argument that such insurance is needed because the BSC wishes to protect itself against claims from owners of vehicles, which have been involved in an accident on the airport, is not valid because the only thing that changes is that it is now not the owner of the damaged vehicle suing the BSC but his insurance company. There is no benefit to BCS, hence my request to abolish the requirement for comprehensive insurance for vehicles using the Tocumwal Aerodrome. Naturally 3rd party insurance must be carried at all times for those vehicles. Access stickers to vehicles covered by 3rd party insurance should not be withheld.*

2/ Refine the requirement for warning lighting on vehicles using the Tocumwal Aerodrome. No special lighting requirements (other than those required for the use of public roads) for vehicles on the perimeter road. Use normal flashing warning lights for vehicles on the movement areas and glider runways.

*Motivation of request:*

*Looking at Part 139 sections, 9.19, Section 10.9 and Section 8.10 (attached) there are a host of requirements that can (or must?) be placed on vehicles in the movement area of an aerodrome. What is the movement area? It certainly is the aprons, taxiways and bitumen runways. It equally certain is NOT the perimeter road. It may also be the glider runways; not so sure about that....*

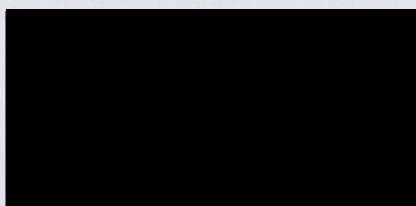
*Most vehicles that transit the aerodrome are in support of the gliding operation. They tow the gliders out to the launch point and retrieve them after landing and return them to their hangar or tie-down.*

*A vehicle towing a glider does not really need any warning lights; if you can't see a 18m span white glider, maybe you should be moving around at an airport at all! But if the vehicle drives onto the glider runway on its own to or from a glider the warning light has merit. Now if you would observe vehicles during daylight driving at the aerodrome, with their orange light on the roof, you will note that you see the vehicle first, then you might see the light on the roof, but it has to come a lot closer to see if the orange rotating light is actually working. The commercially available vehicle warning lights are just not powerful enough to enhance the visibility of the vehicle. The standard warning lights every vehicle has to alert other users to their existence, and which cause their blinkers to blink at all four corners of the car, are very visible from the moment they are switched on.*

*If you peruse the attached excerpts of Part 139 there are requirements for cars to be painted orange (something we did at Sportavia in the past for unregistered field cars), sport blocked flags, rotating beacons etc etc. These rules are really only applicable for vehicles that operate almost exclusively on the aerodrome. i don't believe we have any of these at our low utilisation aerodrome. So maybe common sense should prevail here.*

*Thank you for your attention,*

*Yours Faithfully,*



## Section 9.19: Other Lights on an Aerodrome

### 9.19.1 Vehicle Warning Lights

- 9.19.1.1 Vehicle warning lights, as required by subsection 10.9.2, must be provided to indicate to pilots and others the presence of vehicles or mobile plant on the movement area.
- 9.19.1.2 A vehicle warning light or lights must be mounted on the top of the vehicle, so as to provide 360° visibility.
- 9.19.1.3 The lights must be amber/yellow/orange, and be flashing or rotating of a standard type commercially available as an automobile accessory.

**Note:** International experience has shown the following specification to be particularly suitable. Yellow light, with a flash rate of between 60 and 90 flashes per minute, with a peak intensity of between 40 cd and 400 cd, a vertical beam spread of 12°, and with the peak intensity located at approximately 2.5° vertical.

- 9.19.1.4 For lighting of rescue and fire fighting vehicles, see MOS 139 Subpart H, Chapter 4.
- 9.19.1.5 For emergency or security vehicles not dedicated to aerodrome use, vehicle warning lights complying with the local traffic code are acceptable for on-aerodrome operation.

### 9.19.2 Works Limit Lights

- 9.19.2.1 Works limit lights are provided to indicate to persons associated with the works organisation the limit of the works area.
- 9.19.2.2 Works limit lights must be portable, amber/yellow/orange lights of a standard type commercially available as works warning lights. Alternatively they may be liquid fuel lanterns with amber/yellow/orange lenses.

## Section 10.9: Control of Airside Access Including Vehicle Control

### 10.9.1 Introduction

- 10.9.1.1 Particulars of the procedures for preventing unauthorised entry into the movement area, including the

arrangements for controlling airside access, and airside vehicle control, are to be included in the aerodrome manual.

- 10.9.1.2 At aerodromes catering for air transport operations by aircraft of more than 30 passenger seats, a fence or other suitable barrier must be provided where practicable, around the movement area of the aerodrome.

## 10.9.2 Airside Vehicle Control

- 10.9.2.1 Vehicles and ground equipment operated airside must be maintained in a sound mechanical and roadworthy condition, so as to prevent avoidable breakdowns and spillage of fuels, lubricants and hydraulic fluids.
- 10.9.2.2 In the case of major capital city aerodromes, or aerodromes with significant levels of vehicular traffic, the aerodrome operator must introduce and maintain a permit system for airside operations approval.
- 10.9.2.3 In the case of major capital city aerodromes, or aerodromes with significant levels of vehicular traffic, the aerodrome operator must establish speed limits for vehicles on the movement area and a regime to enforce them.
- 10.9.2.4 Vehicles must not be driven under an aircraft or within 3 m of any part of an aircraft except when required for the servicing of aircraft.
- 10.9.2.5 Vehicles operating on the manoeuvring area by day must be marked in accordance with paragraph 8.10.4.
- 10.9.2.6 Vehicles operating on the movement area must:
- (a) be lit with vehicle warning lights in accordance with paragraph 9.19.1, unless accompanied by a vehicle that is so equipped; and
  - (b) display dipped headlights at night or in conditions of poor visibility.
- 10.9.2.7 Aircraft servicing equipment used only on aprons need not comply with paragraph 10.9.2.6. In this case, equipment is deemed to be mobile objects that do not have their own motive power.

## 10.9.3 Airside drivers

10.9.3.1 Drivers operating vehicles on the airside must be trained and competent to do so.

10.9.3.2 Any person operating vehicles and ground equipment, must:

- (a) hold an appropriate licence to operate,
- (b) know the terminology used to describe, and be familiar with airside areas,
- (c) understand the significance of aerodrome signs and markings, and
- (d) where appropriate, be competent in the use of radio communications equipment, and understand radio instructions.

#### 8.10.4 Marking of Vehicles

8.10.4.1 A vehicle used regularly on the manoeuvring area by day should be painted a single conspicuous colour, preferably yellow or orange. Where so painted, it does not require additional marking.

8.10.4.2 Vehicles not painted yellow or orange must be marked, by using either:

- (a) flags; or
- (b) vehicle warning lights, in accordance with paragraph 9.19.1.

8.10.4.3 Flags must be not less than 0.9 m square and consist of an orange and white chequered pattern, each square of which must have sides not less than 0.3 m. Where orange merges with the background, another colour that contrasts with the background must be used.

8.10.4.4 For marking of rescue and fire fighting service vehicles, see MOS 139, Subpart H, Chapter 4.



## Berrigan Shire Council

### Submission:

#### A New Risk Management and Internal Audit Framework

#### Overall summary

Berrigan Shire acknowledges that the *Local Government Act 1993* as amended requires all Councils in NSW to put in place an internal audit function and appoint an Audit Risk and Improvement Committee (ARIC). The Council also acknowledges that it is appropriate for the Office of Local Government (OLG) to issue guidelines under s23A of the Act to assist Councils with implementation.

That said, the proposed guidelines are a completely unworkable response to the new legislation. The guidelines are heavy-handed and bureaucratic and represent a “top-down” solution completely out of line with any reasonable industry requirements.

The guidelines themselves are extremely poorly drafted. They contain several internal and external contradictions, both proposing requirements contrary to other pieces of legislation and contrary to other sections of the guidelines itself.

The guidelines appear to have been written without any input from local government managers or elected members – although external bodies such as the NSW Audit Office and the NSW Independent Commission against Corruption appear to have had a heavy role in their preparation. For a document with such an impact of the management and operation of local government, this is staggering.

Over and above the requirements for an ARIC and an internal audit function, which as mentioned above the Council accepts is now required by the amended legislation, the guidelines also include a section on risk management which is again incredibly heavy handed, onerous and appears to ignore the role already played by the Council’s insurers in the risk management area.

The proposed guidelines will have a significant financial impact on this Council. The guidelines require the Council to appoint and pay members to its ARIC. The Council also creates two new statutory roles – Chief Audit Executive and Risk Management Coordinator. The actual audit and risk management work itself will need to be performed by someone as well. There is scope to share these roles internally and to share staff and ARIC members across Councils – there will still be significant additional cost.

Overall, the proposed guidelines do not meet any objective cost-benefit analysis – i.e. the cost of implementation greatly outweigh any likely benefit.

A new set of guidelines needs to start from a much more modest position – putting in place minimum requirements for a formal internal audit function can be achieved rather than setting out in detail how that function must operate. OLG should start the process by talking **first and foremost** to local government about what it would like to achieve from an internal audit function and how it would fit with the rest of its responsibilities.

The Framework should require Councils to adopt appropriate practice rather than enforce “best practice” – whatever that may be.



## General observations

- 1. The discussion paper proposes a model for Risk Management and Internal Audit that is heavy handed and has a single focus without regard for a Council's other responsibilities and accountability to the community.**

The discussion paper has been prepared without consultation of Councils and this strongly shows through as there is a clear lack of understanding of the statutory framework that Councils operate within.

The Framework needs to be considered in light of a holistic view of what a Council does and where the Framework may fit in.

The Framework appears to have been developed through a single lens and lacks credibility and practicality because of this.

- 2. If the Framework is proposed to add value to Council then it should be subject to a cost/benefit analysis**

Page 19 of the draft framework makes the following statement

*Ensure each council (including county council/joint organisation) in NSW has an independent Audit Risk and Improvement Committee that adds value to the council*

The entire framework is based on an assumption that an ARIC will "add value to the Council" rather than a demonstration that it actually will add value. Given the enormous cost and regulatory burden of this one-size-fits-all Framework – it is unlikely that it will add value for Berrigan Shire Council.

The Council expects that implementing the Framework on a stand-alone basis is would cost around \$200,000 and \$300,000 per year.

The additional cost of implementing this Framework is to come from the Council's own resources. In a rate-pegging environment, this can only come from internal cost savings elsewhere – i.e. require significant reduction in existing staff levels and reductions in quality or levels of service provided to the public

The Framework needs to be able to achieve a positive Cost/Benefit Ratio if it can be held to be delivering a benefit to Councils

- 3. The Framework is based on what someone else has deemed to be "best practice". It should be based on "appropriate practice".**

While there is provision for shared arrangements for ARICs and allowances for combining roles – in effect the top-down prescriptive approach used in the Framework makes it a one-size-fits-all model.

It is not reasonable or practical to prescribe in such detail the arrangements for internal audit and risk management and expect it to be suitable for the City of Sydney as well as Brewarrina Shire.

Councils need to be able to develop risk management and internal audit frameworks that fit their circumstances.

The imposition of someone's view of best practice stifles innovation and continuous improvement.

The Framework ignores the individual performance of individual Councils and seeks to take down existing, often high performing functions that presently exist.

**4. The Framework will now see a Council's Annual Financial Statement subject to three levels of audit.**

Under the model proposed by this Framework, the Council's annual financial statements will be subject to three levels of audit.

- a) Through the Chief Audit Executive and then the Audit Risk and Improvement Committee who are required to "review" them
- b) Then through the contract auditors appointed by the NSW Audit Office,
- c) Then, finally through the NSWAO itself who audit the audit to issue the opinion.

This level of audit review is clearly unnecessary and there is no evidence that this three-stage process will improve the performance of Councils and/or the delivery of services by those Councils.

The Council and its management should be wholly responsible and accountable for the preparation of the annual financial statements.

The Framework should exclude a Council's Annual Financial Statements.

**5. The Framework needs to be withdrawn entirely and redrafted through consultation with Councils and with regard to the statutory environments in which they operate.**

The Framework is heavy handed, contradictory and contrary to existing legislation and is considered an impractical burden that will transfer significant resources away from service delivery and towards greater and largely unwarranted bureaucracy.

**Governance Issues**

**6. There is an imbalance between Councillors' remuneration and ARIC members' remuneration.**

A Committee member will receive nearly the same remuneration as a Councillor despite a limited number of sitting days and a very narrow area of interest.

Councillors are accountable to the community on a daily basis across all matters relating to the Council's activities and beyond. ARIC members meet much less often, have a smaller remit and have no public-facing role, responsibilities or accountabilities – from the public's perspective, they are essentially faceless men and women.

The remuneration imbalance appears to assume that Councillors bring only a low level of skill to their role.



## **7. The requirements around development and implementation of Risk Plans will only delay effective risk management**

NSW councils – especially those insured through Statewide Mutual – already have mature risk management systems that meet their needs. The draft Framework essentially asks Councils to rip that work up and start afresh using a very prescriptive, top-down, one-size-fits-all risk management framework.

The model for risk management in the Framework is incredibly bureaucratic. It proposes the creation of yet another position - a Risk Management Coordinator – who then reports to a “senior management group” who then report to the General Manager, the ARIC and the Council. It creates a risk management framework that, instead of sitting inside the Council’s regular operations with a chain of responsibility to the General Manager, is “bolted on” as a separate process with its own reporting chain.

This Council has made risk management everyone’s responsibility as a normal part of what we do – this Framework will replace it with bureaucracy for bureaucracy’s sake.

## **8. The Framework is silent on the role of insurance and insurers.**

One of the core parts of any risk management system is insurance. The draft Framework is completely silent on this matter.

As mentioned above, NSW Councils who are insured through Statewide Mutual have worked with their insurer to develop mature risk management systems. The drafters of the draft Framework are either unaware of this work or have chosen to ignore it.

It would be wise for OLG to at least consult with Statewide Mutual before imposing any risk management framework on Councils.

Risk management planning etc. should be either removed from the Framework entirely or at least reflect that the overwhelming majority of Councils have systems developed in partnership and consultation with the Mutual.

It is the Councils and their insurers who have real skin in the game

## **9. The role of the “Senior Management Group” is unclear and confused**

The draft Framework states “the general manager may wish to delegate key aspects of the council’s risk management framework to a group of senior managers established for this purpose” – a statement which appears to make this group an option, not a requirement. The remainder of the draft Framework however appears to assume this groups’ existence.

Once again, the creation of a separate group responsible for risk management separates risk management from the rest of the Council’s activities rather than including them in Council’s normal business operations.

The reporting line for this group is muddled. The delegation appears to come from the General Manager however they appear to have multiple, varied reporting lines.

The draft Framework will be mandatory for Councils once formalised – on that basis it needs to be clear and unambiguous. All references to the “senior management group” should be

removed from the draft Framework and Councils left free to create a risk management reporting framework that meets their needs.

#### **10. Ambiguity around the risk management attestation statement**

The draft Framework requires the General Manager to annually publish an "attestation statement" in the Council's annual report indicating if the Council is "compliant", "not compliant" or "in transition". This is proposed to be self-assessed based on the results of the senior management group (a group that is apparently not compulsory) annual assessment.

It is unclear what printing this statement in the annual report is supposed to achieve. It is also unclear why the Office of Local Government needs a copy if it is published in the Council's annual report.

It is unclear what happens if the chair of the ARIC doesn't agree with the General Manager's self-assessment. It is unclear if the ARIC is required to in effect "audit" the self-assessment before signing it off – in which case is it really a self-assessment?

#### **11. The independence rules around Committee members and audit staff are too restrictive.**

The technical requirements set for employment as a Chief Audit Executive and for appointment as an ARIC member are very stringent. In rural and regional areas in particular, these requirements make the available pool of applicants quite small.

Adding overly onerous independence requirements to the technical requirements will make it almost impossible for the Council to find appropriately qualified local people to fill these roles.

As it stands, it is likely that to meeting technical and independence requirements, the entire ARIC would need to come from Sydney. The decision then is to fly the committee down to Berrigan for a meeting or hold meetings in Sydney and fly the staff to the meetings. Neither option appears practical and sustainable.

Only parties directly and currently related to a Council should be excluded from being ARIC members. People with relevant local government experience can add significant value to the ARIC.

#### **12. How is an external review of the ARIC intended to operate?**

The requirement to have an external review of the performance of the ARIC is yet another way for consulting and audit firms to extract money from the Council.

#### **13. The only practical method of operation is through Joint Organisations (JOs)**

Due to cost, availability of suitably qualified Committee members, lack of suitably qualified staff the only practical method of operation is on the basis of a JO co-ordinating a regional approach.

The requirements for management of joint arrangements for internal audit through a JO in the draft framework is overly prescriptive and should be left for individual JOs to put in place administrative and governance requirements that suit their Councils' needs.

## Legislative Non-Compliance Issues

### **14. There are numerous proposals throughout the Framework that would appear to contravene s335 of the LGA**

Section 335 of the LGA sets out the role of the General Manager including “to appoint staff in accordance with the organisation structure determined under this Chapter and the resources approved by the council” and to “to direct and dismiss staff”.

The draft Framework requires the General Manager to consult with ARIC before appointing, disciplining or dismissing a CAE. Unlike s337 of the LGA relating to senior staff, there is no legislative basis for this consultation.

This conflict with s335 of the LGA applies across the roles and responsibilities granted to the CAE in this draft Framework. It is difficult to see how this conflict can be managed without legislative change.

### **15. Access to information created by the operation of ARIC**

The draft Framework states that “Approval must be obtained from Chief Audit Executive or Audit, Risk and Improvement Committee before internal audit reports are provided to any other person or external party.”

This is directly contrary to the *Government Information (Public Access) Act 2009* (GIPAA). Decisions on access applications are made by the Right to Information Officer who is required to consult with affected parties and then make a determination based on the public interest. The CAE and/or ARIC doesn’t get to grant approval or otherwise to these requests.

The draft Framework states that “The governing body can also request access to internal audit information via a resolution of the council. The Audit, Risk and Improvement Committee is to decide the governing body’s request”

This is contrary to the NSW Local Government Model Code of Conduct which states “The General Manager is responsible for ensuring that councillors and administrators can access information necessary for the performance of their official functions” and “Members of staff of council must provide full and timely information to councillors and administrators sufficient to enable them to exercise their official functions and in accordance with council procedures”.

The draft Framework states that ARIC minutes are to be “provided to the governing body to enable councillors to keep abreast of assurance issues throughout the year” and also “treated as confidential unless otherwise specified by the committee - public access should be controlled to maintain confidentiality in accordance with council policy”.

Again, this is contrary to GIPAA and LGA and would require legislative change. If it is to be provided to the governing body, this would normally be through a Council business paper. This may require an amendment to s10A(2) of the LGA to include internal audit reports as a matter for which Council meetings can be closed.

There may be reasonable grounds making determinations under GIPAA that information around internal audit should be confidential. The draft Framework can’t actually mandate that however or put in place an “approval” requirement.

These contradictions are further evidence that the draft Framework has been drafted by people with limited local government experience and with little knowledge about how Councils operate in practice.

The draft Framework should be modified to reflect the requirements of GIPAA – in particular referring to the public interest test.

The draft Framework should allow the Council full and unfettered access to information generated through the operation of ARIC, subject only to the requirements of the NSW Local Government Model Code of Conduct.

## **16. Potential conflicts with the Award and employment law**

Under the draft Framework, the ARIC can “request to meet with any of the following non-voting individuals whenever necessary in order to seek additional information or explanations” and that “These individuals must comply with the Audit, Risk and Improvement Committee’s request”.

The list includes “any employee or contractor of the Council”

Firstly, it isn’t a request if the non-voting individual must comply – it is a directive. It appears to give the ARIC the powers of the Independent Commission against Corruption.

Secondly, it is unclear how this will work in principle. Under the Code of Conduct, the Council as the governing body is required to go through the General Manager rather than direct to individual staff. This provides some protection for staff from coercion and intimidation by Councillors. There is no provision for any such protection from ARIC.

Thirdly, the draft Framework is unclear on how ARIC can compel Council staff to attend and assumedly co-operate with inquiries. What are the consequences for non-compliance? Is non-compliance to be treated as a breach of the Model Code of Conduct?

It would appear likely that any ARIC meeting directing Council staff to appear to provide information would be seen as a “workplace investigation”. The Local Government (State) Award 2017 gives Council staff the right to “request the presence of an Association and/or union representative at any stage” during an investigation. How will this work in practice.

Council staff and contractors also retain the right to procedural fairness. A directive to appear and answer questions from ARIC appears to be contrary to procedural fairness.

The CAE is required to “the credibility to ensure they are able to negotiate on a reasonably equal footing with the general manager and councillors of the council, as well as the Audit, Risk and Improvement Committee”. For smaller Councils such as Berrigan Shire Council, the implied job sizing and salary positioning commensurate with this “equal footing” would imbalance the Council’s pay relativities between the CAE, the directors and other senior managers – given their roles and responsibilities.

The draft Framework states:

*The general manager must not take any action impacting on the employment of the Chief Audit Executive, including through **performance management** or disciplinary processes, without consulting with the Chair of the Audit, Risk and Improvement Committee.*

It is difficult to see how this process will work within the overall performance management system in place for all Council staff.

## **17. Committee's ability to require appearance by staff**

### **Operational Issues**

## **18. Ability of the Chief Audit Executive to direct staff away from Council priorities**

Page 67 of the Framework states

*The Chief Audit Executive is to have direct and unrestricted access to all council staff, resources and information necessary for the performance of internal audit activities.*

"Direct and unrestricted access" is a very broad term and on the face of it appears to give the Chief Audit Executive to direct staff to undertake tasks other than those set by their supervisor/manager through the line of management to the General Manager.

How does the office trainee respond when the CAE directs her to stop what she is doing to address the CAE's priorities? In any system that can work on the ground, the CAE will need to work within the Council's ordinary management framework – who should be required to co-operate.

## **19. Existing risk management processes to be disrupted**

There is inadequate reference to quality assurance and continuous improvement. Risk Management is treated as something completely separate rather than an integrated part of Council's overall management systems.

### **Further information**

Further information and clarification on any point made in this submission can be provided by contacting the General Manager, Rowan Perkins, at the Council administration office.

# A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK

for local councils in NSW

## Discussion paper

September 2019



## **A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL COUNCILS IN NSW – DISCUSSION PAPER**

2019

### **ACCESS TO SERVICES**

The Office of Local Government is located at:

Street Address: Levels 1 & 2, 5 O'Keefe Avenue, NOWRA NSW 2541

Postal Address: Locked Bag 3015, Nowra, NSW 2541

Phone: 02 4428 4100

Fax: 02 4428 4199

TTY: 02 4428 4209

Email : [olg@olg.nsw.gov.au](mailto:olg@olg.nsw.gov.au)

Website: [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au)

### **OFFICE HOURS**

Monday to Friday

9.00am to 5.00pm

(Special arrangements may be made if these hours are unsuitable)

All offices are wheelchair accessible.

### **ALTERNATIVE MEDIA PUBLICATIONS**

Special arrangements can be made for our publications to be provided in large print or an alternative media format. If you need this service, please contact Client Services on 02 4428 4100.

### **DISCLAIMER**

While every effort has been made to ensure the accuracy of the information in this publication, the Office of Local Government expressly disclaims any liability to any person in respect of anything done or not done as a result of the contents of the publication or the data provided.

© NSW Office of Local Government, Department of Planning, Industry and Environment 2019

Produced by the NSW Office of Local Government, Department of Planning, Industry and Environment

---

## MINISTER'S FOREWARD

---



Risk is inevitable in any organisation, including local councils. If a council can identify its risks and how they are caused, a council is more likely to succeed in managing these risks and achieving its community objectives.

Internal audit is a globally accepted mechanism for ensuring that an organisation has good governance and is managing its risks successfully. There has been a steady push over recent years for internal audit to be mandated in the NSW local government sector.

As a first step, in 2008, the government released guidelines to assist councils to establish an internal audit function. These guidelines were updated in 2010. The benefits realised by councils who had introduced internal audit into their business led to calls for internal audit to be made mandatory for every council in NSW.

In 2016, the NSW Government made it a requirement under the *Local Government Act 1993* ('Local Government Act') that each council have an Audit, Risk and Improvement Committee in place. This requirement is likely to take effect from March 2021. Councils are also required to proactively manage any risks they face under the new guiding principles of the Act.

The government has since been working to develop the regulatory framework that will support the operation of these committees, and the establishment of a risk management framework and internal audit function in each council. This discussion paper details the regulatory requirements and operational framework being proposed.

There will be nine core requirements that councils will be required to comply with when establishing their Audit, Risk and Improvement Committee, risk management framework and internal audit function. These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have implemented risk management and internal audit. Most importantly, they reflect the unique needs, structure and resources of NSW local government.

Formal risk management and internal audit is a vital part of the NSW Government's plan to ensure that councils achieve their strategic objectives in the most efficient, effective and economical manner. A strong and effective risk management and internal audit framework will result in better services for the community, reduced opportunities for fraud and corruption, increased accountability of councils to their communities and a culture of continuous improvement in councils.

I encourage you to provide your feedback and ideas on the proposed model so we can ensure NSW has in place the most robust and effective risk management and internal audit framework for local government possible.

**The Hon Shelley Hancock MP**  
**Minister for Local Government**



---

# CONTENTS

---

<b>BACKGROUND AND PURPOSE</b>	<b>5</b>
1. Risk	5
2. Good governance	5
3. Purpose of this discussion paper	9
<b>INTRODUCTION TO RISK MANAGEMENT AND INTERNAL AUDIT</b>	<b>10</b>
1. Risk management	10
2. Internal audit	12
3. Audit Committees	14
4. Use of risk management, internal audit and audit committees in the private and government sectors	15
<b>PROPOSED RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK - THE ROAD AHEAD</b>	<b>18</b>
1. Risk management and internal audit in NSW local government – the story so far	18
2. Proposed statutory framework	19
3. Benefits of risk management and internal audit for NSW local government	27
<b>PROPOSED CORE REQUIREMENTS</b>	<b>28</b>
<b>Core requirement 1:</b> Appoint an independent Audit, Risk and Improvement Committee	28
<b>Core requirement 2:</b> Establish a risk management framework consistent with current Australian risk management standards	45
<b>Core requirement 3:</b> Establish an internal audit function mandated by an Internal Audit Charter	60
<b>Core requirement 4:</b> Appoint internal audit personnel and establish reporting lines	63
<b>Core requirement 5:</b> Develop an agreed internal audit work program	70
<b>Core requirement 6:</b> How to perform and report internal audits	73
<b>Core requirement 7:</b> Undertake ongoing monitoring and reporting	77
<b>Core requirement 8:</b> Establish a quality assurance and improvement program	79
<b>Core requirement 9:</b> Councils can establish shared internal audit arrangements	85
<b>NEXT STEPS</b>	<b>92</b>
<b>RESOURCES USED</b>	<b>93</b>
<b>APPENDIX 1 – TIMELINE OF KEY INFLUENTIAL EVENTS</b>	<b>99</b>

---

## BACKGROUND AND PURPOSE

---

### 1. Risk

All organisations and governments, including councils, operate in uncertain and changing economic, social, political, legal, business and local environments. Risk is defined as the effect of this uncertainty on an organisation's ability to achieve its goals and objectives, where the effect is the potential for a result that is different to what was expected or planned for<sup>1</sup>. Risks that go so far as to threaten to harm or destroy an object, event or person are known as material risks.

Risk can be positive, negative or both, and can address, create or result in opportunities and threats. Risk is often expressed in terms of an event's consequences and the likelihood of its occurrence. Negative risks can include, for example, unexpected financial loss, project failure, extreme weather events, failure of council policy, and fraud or corruption. Positive risks can include, for example, unexpected favourable publicity, changes to legislation, improved technology, new commercial relationships and business contracts.

#### Internal controls

Internal controls are any action taken by an organisation to manage and minimise the impacts of negative risks or to promote and harness positive risks to increase the likelihood that the organisation's goals and objectives will be achieved. Internal controls can be:

- preventative – to deter undesirable events from occurring
- detective – to detect and correct undesirable events from happening, or
- directive – to cause or encourage a desirable event to occur.

Internal controls generally fall into two categories:

- hard/formal controls – for example, systems, processes, policies, procedures, management approvals, or
- soft controls – for example, employee capability, organisational culture, ethical behaviour of management and staff.

### 2. Good governance

Governance can be described as the combination and interconnection of decisions, policies, procedures, processes and structures implemented by an organisation's board/governing body to direct and control the organisation and ensure it functions effectively.

Good governance is a key component of successful organisations. It supports an organisation to ensure its goals and objectives are achieved, its operations are performed successfully, it complies with all necessary legal and other requirements, and it uses its resources responsibly with accountability. It also helps an organisation to promote confidence with stakeholders and adapt and function in changing and uncertain environments.

Good governance is directly linked to an organisation's risk management and compliance frameworks.

<sup>1</sup> Adapted from the definition of risk in AS ISO 31000:2018

## The three lines of defence against risk

There are a number of different mechanisms organisations can use to ensure they have good governance and are managing their risks. These governance activities are often referred to as 'the three lines of defence' and are described below in the context of local government. A summary diagram is provided on page 8.

### 1<sup>st</sup> line of defence – operational functions implemented by a council to own and manage risk

A council's first line of defence against risk is for council staff to own and manage the risks that occur in their sphere of influence. This means they are given responsibility and held accountable for identifying risks and implementing internal controls (where appropriate).

In practice, this generally sees operational management responsible for identifying and assessing risks that occur in their work area and developing internal controls to manage these risks. This can include guiding the development of council policies and procedures and overseeing the implementation of internal controls by the council staff they supervise. Council staff are responsible for following policies and procedures, implementing other controls and notifying managers when issues arise.

Examples of first line of defence activities could include development assessment processes, operational procedures for technical equipment, maintenance of specific pieces of equipment, cash handling procedures, work health and safety requirements, following project plans etc.

### 2<sup>nd</sup> line of defence – management functions implemented by a council to ensure operational functions are managing risks

A council's second line of defence against risk is to ensure that the controls in the first line of defence are properly designed, implemented and operating as intended. Examples of the management frameworks that can be implemented in a council's second line of defence include:

- a risk management framework which identifies known and emerging risks the council faces and controls being implemented to manage these risks (further described in this discussion paper)
- a compliance framework which identifies and monitors council's risk of non-compliance with applicable laws, regulations, contracts and policies, and alerts council to changing compliance requirements
- a financial management framework which identifies and monitors council's financial risks, including financial reporting and external accountability<sup>2</sup>
- a fraud control framework which identifies and manages the risk of the incidence of fraud or corruption and includes prevention and monitoring strategies<sup>3</sup>
- business and performance improvement which identifies and manages any business/performance risks and helps council to improve the efficiency, effectiveness and economy of its operations, for example, information technology and work health and safety, and
- project management which is used to identify and manage project risks, for example, poor project governance, flawed scope definition and insufficient resourcing.

<sup>2</sup> Councils are required under the Local Government Act (s 413) to prepare financial reports each year to prescribed standards. These reports must be externally audited, be made available for public inspection (s 418), presented at a council meeting along with the auditor's reports (s 419) and included in council's annual report (s 428).

<sup>3</sup> Councils are required to have a fraud and corruption control plan which includes risk management processes that examine the risk of fraud and corruption both internally and externally across the council. The plan should also include internal controls that seek to minimise fraud and corruption occurring.

Second line of defence activities are generally reported to senior and mid-level management, and can be of interest to the Audit, Risk and Improvement Committee.

### **3<sup>rd</sup> line of defence – functions that provide independent external assurance**

Council's third line of defence against risk is to receive assurance from an independent body external to the council that its risks are being managed appropriately in the first and second lines of defence. External assurance is designed to provide a council with a level of confidence that its goals and objectives will be achieved within an acceptable level of risk.

Independent external assurance is provided by an Audit, Risk and Improvement Committee, supported by an internal audit function.

External assurance activities are reported to the governing body of the council and the general manager.

### **Other lines of defence**

There are also other lines of defence that sit outside an organisation and provide independent assurance that an organisation has good governance and is managing its risk appropriately.

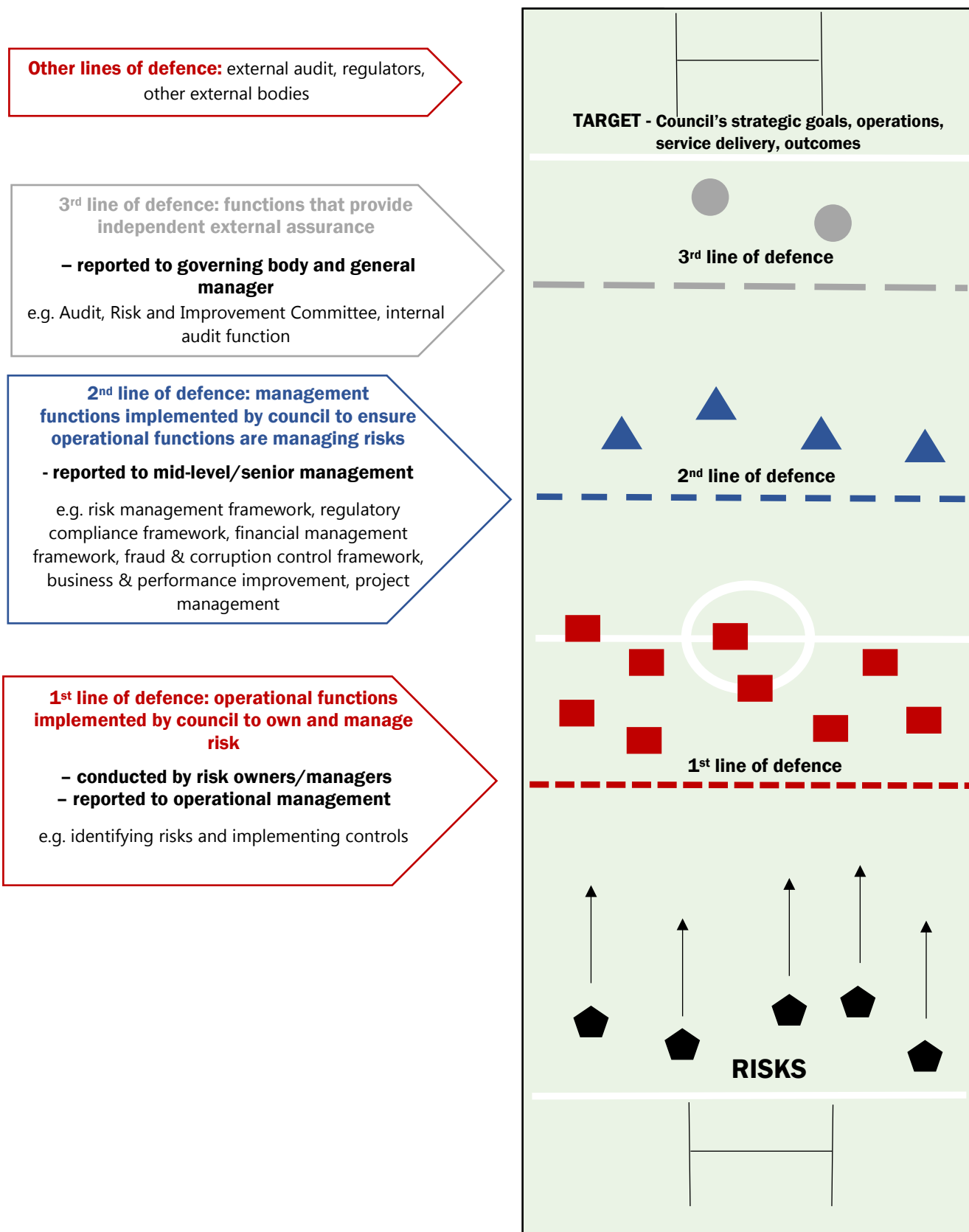
For councils, these include:

- external audit – an annual independent examination and opinion of council's financial statements which also assesses council's compliance with accounting standards, laws and regulations<sup>4</sup>
- performance audit – an audit of council activities to determine whether the council is carrying out these activities effectively, economically, efficiently and in compliance with all laws. A performance audit can include an individual program or service provided by a group of councils, all or part of an individual council, or issues affecting the sector as a whole<sup>5</sup>, and
- regulatory bodies – these set minimum requirements for council's lines of defence, and/or assess the effectiveness of council's governance (for example, the Office of Local Government, NSW Ombudsman, Independent Commission Against Corruption, NSW Parliament).

<sup>4</sup> The Local Government Act (s 415) requires each council to have their annual financial reports externally audited by the NSW Auditor-General (s 422) so that the community and the governing body of the council have access to an independent opinion on their validity. The Auditor-General is to also provide a copy of the Independent Audit Report and the Conduct of the Audit to the Office of Local Government, and report to Parliament on local government sector-wide matters arising from the examination of the financial statements of councils and any other issues the Auditor-General has identified during its audit and the exercise of her other functions (s 421C).

<sup>5</sup> The NSW Auditor-General conducts performance audits of councils under the Local Government Act and reports to the Office of Local Government, the council concerned and the Minister for Local Government any findings, recommendations or concerns that arise from a performance audit (s 421B)

## Council's three lines of defence against risk



### 3. Purpose of this discussion paper

Amendments made to the Local Government Act in 2016 require each council to be financially sustainable, continuously review its performance, properly exercise its regulatory functions, operate honestly, efficiently and appropriately, and have sound decision-making and risk management practices (s 8A-8C and 223).

They also require each council to establish an Audit, Risk and Improvement Committee as a third line of defence to continuously review and provide independent advice and assurance on council's first and second lines of defence (s 428A). The Local Government Act also envisages the establishment of a risk management framework and internal audit function in each council to support the work of the Committee.

The purpose of this discussion paper is to propose how councils should establish and implement these functions.

It is envisaged that each council's Audit, Risk and Improvement Committee, once established by March 2021, will undertake assurance activities by overseeing each council's internal audit function and risk management framework.

Over time (post-2021), and as resources allow, each council's Audit, Risk and Improvement Committee will be expected to expand its reach to include the other management functions that councils should have in place as part of their second line of defence (for example, financial management, integrated planning and reporting, fraud control, performance etc.).

# INTRODUCTION TO RISK MANAGEMENT AND INTERNAL AUDIT

## 1. Risk management

Risk management describes the coordinated activities an organisation takes to ensure it knows the risks it faces, makes informed decisions about how to respond to these risks, and identifies and harnesses potential opportunities<sup>6</sup>.

In practice, it is a deliberate, systematic, comprehensive and documented program that provides a structure to managing risk consistently across the entire organisation, regardless of where, and by who, decisions are made. It also provides a mechanism to shape organisational culture – ‘the way we do things around here’.

Risk management is not about being risk averse and it is not a guaranteed way to eliminate all the risks an organisation faces altogether. It is a framework that can help an organisation to reduce its risks to a level that is acceptable and take calculated and appropriate risks that will help it to achieve its strategic goals and deal positively with opportunities.

As required under Australian risk management standards, councils will be required to adopt an ‘enterprise risk management’ approach under the new regulatory framework.

This will require councils to identify, assess and manage all the risks that affect the ability of the council to meet its goals and objectives, and goes beyond traditional risk management that focuses on insurable risks. Further explanation is provided in the table below.

Traditional risk management	Enterprise risk management
Focuses on insurable risks	Considers all risks that could affect a council’s ability to meet its goals, including risks that cannot be insured, for example, a council’s reputation
Focused on threats and minimising losses	Considers risks that present both negative and positive consequences or impacts and focuses on adding value
Manages each risk individually and in isolation, often within the particular business unit	Considers risks holistically across the entire council taking into account any connections or interdependencies that could reduce losses or maximize growth opportunities. Risk management is integrated across the entire council
Responses to risk are largely reactive and sporadic	Responses to risk are proactive and continually applied and assessed. Risk management is embedded in organisational culture

<sup>6</sup> Adapted from the definition of risk management in AS ISO 31000:2018

## Governing standards

A number of worldwide standards have been developed to help organisations implement risk management. These standards are set by recognised international standards bodies or industry groups and provide an accepted benchmark for risk management practices.

In Australia, the International Organisation for Standardisation's risk management standard *ISO 31000:2009, Risk Management – Guidelines* (AS/NZS ISO 31000:2009) has been accepted as the Australian risk management standard and widely adopted in the private and public sectors. AS/NZS ISO 31000:2009 has just been replaced by AS ISO 31000:2018<sup>7</sup>.

AS ISO 31000:2018 states that an organisation's approach to risk management must be based on the following eight specific principles to ensure it is effective:

- risk management is **integrated** into all organisational activities and decision-making processes
- risk management is **structured and comprehensive** process that achieves consistent and comparable results
- the risk management framework and process is **customised** to the organisation
- risk management is **inclusive** of all stakeholders and enables their knowledge, views and perceptions to be considered
- risk management is **dynamic** and able to respond to changes and events in an appropriate and timely manner
- risk management decisions are based on the **best available information** and takes into account any limitations and uncertainties
- risk management takes into account **human and cultural factors**, and
- risk management is continuously and periodically **evaluated and improved** through learning and experience.

To achieve these principles, AS ISO 31000:2018 requires each organisation to ensure its risk management framework includes the following elements:

- **leadership and commitment** – the organisation's board/governing body must clearly communicate and demonstrate strong leadership and commitment to risk management. This will be shown by the board/governing body:
  - adopting a risk management policy which communicates the organisation's commitment to risk management and how risk management will be undertaken
  - ensuring the necessary resources are allocated to risk management, and
  - assigning authority and accountability for risk management at appropriate levels in the organisation and aligning risk management to the organisation's objectives
- **integration** – integration of risk management into a council should be a dynamic and iterative process, customised to the organisation's unique needs and culture. Risk management must be made part of the organisation's purpose, governance, leadership, strategy, objectives and operations and everyone in the organisation must understand their responsibility for managing risk.

This can be achieved through the development and implementation of a risk management plan that provides structure for how the organisation will implement its risk management policy and conduct its risk management activities

<sup>7</sup> More information about AS ISO 31000:2018 can be found at <https://www.iso.org/iso-31000-risk-management.html>.



- **design** – the organisation’s risk management framework must be based on the unique needs, characteristics and risks of the organisation, and its external and internal context.

This can be achieved by following a tailored risk management process that:

- evaluates the organisation’s internal and external context, operations, stakeholders, complexity, culture, capabilities etc.
  - identifies, assesses and prioritises the risks these present
  - decides how they will be managed
  - allocates resources
  - assigns risk management roles, responsibilities and accountabilities
  - documents and communicates this across the organisation, and
  - demonstrates the organisation’s continual commitment to risk management.
- **evaluation and improvement** – the organisation must regularly evaluate the effectiveness of its risk management framework and continually adapt and improve how it is designed and integrated throughout the organisation and ensure it is fit for purpose.

## 2. Internal audit

Internal audit is a mechanism that an organisation can use to receive independent assurance that its first and second lines of defence are appropriate and working effectively. Internal audit can also help an organisation to improve its overall performance.

It does this by:

- providing management with information on the effectiveness of risk management, control and governance processes, and acting as a catalyst for improvement
- providing an independent and unbiased assessment of the organisation’s culture, decision-making, financial management, operations, fraud risk, safeguarding of assets, information, policies, processes and systems
- assessing the efficiency, effectiveness, economy and ethical conduct of business activities
- reviewing the achievement of organisational goals and objectives
- assessing compliance with laws, regulation, policies and contracts, and
- looking for better ways the organisation can be doing things.

In relation to risk management, internal audit provides assurance that an organisation’s:

- risk management framework is effective and regularly reviewed
- risks are correctly identified and assessed
- risks are being managed to an acceptable level in accordance with the organisation’s risk criteria<sup>8</sup>, goals and objectives
- internal controls are appropriately designed and effectively implemented, and
- risk information is captured and communicated in a timely manner across the organisation, enabling staff to carry out their risk management responsibilities.

Unlike organisational staff, an internal audit function has no direct involvement in day-to-day operations or financial management of an organisation. It sits within an organisation, but external to it, and investigates how an organisation conducts its day-to-day operations and financial management and helps an organisation to improve those processes and systems.

<sup>8</sup> ‘Risk criteria’ can also be known as ‘risk appetite’

To preserve an internal audit function's independence, it cannot be responsible or held accountable for:

- setting an organisation's risk criteria
- implementing risk management processes
- deciding how an organisation responds to risk, or
- implementing risk responses or controls.

The internal audit function also reports functionally (for internal audit operations) to an organisation's Audit, Risk and Improvement Committee to ensure that it is allowed to operate without inappropriate interference.

## Governing standards

The Institute of Internal Auditors (IIA) is the recognised international standard setting body for internal audit and provides professional certification for internal auditors.

The IIA has developed the International Professional Practices Framework (IPPF)<sup>9</sup> which outlines the mandatory requirements for the practice of internal auditing. It describes:

- the definition of internal auditing
- the core principles for the practice of internal auditing
- the international standards for the professional practice of internal auditing, and
- a Code of Ethics which describe the minimum behavioural and conduct requirements of individuals and organisations in the conduct of internal auditing.

These standards are international and are to be applied consistently to the practice of internal audit activity worldwide.

The core components required for internal audit under the IPPF include:

- an **internal audit charter** which communicates internal audit's purpose and authority, its position within the organisation and how internal audit will be undertaken
- reporting arrangements and responsibilities that provide the internal audit function with **independence** from the organisation so that it can be objective and unbiased in its work
- authority for the internal audit function to have **full access** to the records, information, property and personnel it needs to undertake its work
- **work plans** which provide a short-term and long-term structure for the internal audits to be undertaken
- use of **approved methods** and procedures to conduct audits
- a system to **monitor and report** on internal audit findings and the implementation of corrective actions, and
- a **quality assurance and improvement process** to continuously review and improve internal audit activities.

<sup>9</sup> More information about the IPPF can be found at <https://www.iaa.org.au/technical-resources/professionalGuidance.aspx>

Under the IPPF, an effective internal audit function must also exhibit the following 10 mandatory core principles:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk-based assurance
- is insightful, proactive and future-focused, and
- promotes organisational improvement.

### 3. Audit Committees

An audit committee is a committee of experts that plays a key role in assisting the board/governing body of an organisation to fulfil its corporate governance and oversight responsibilities. Its main role is to provide advice and assurance regarding:

- the organisation's culture and ethics
- the organisation's first and second lines of defence, including:
  - the effectiveness of risk management and the organisation's internal controls
  - the organisation's fraud and corruption controls
  - business performance and improvement
  - the adequacy of financial management practices and the organisation's accounting, financial records and external reporting
  - systems for managing the organisation's assets
  - compliance with applicable laws, regulations, standards and best practice guidelines, and
- matters that are raised during external and internal audits.

An audit committee also provides a forum for communication between the organisation, senior management, risk and compliance managers, internal auditors and external auditors.

To be effective, an audit committee must be independent from the organisation's management and free from any undue influence.

The size and nature of the committee depends on the industry and size of the organisation. Some organisations establish one committee with responsibility for all these tasks. Larger organisations may establish more than one committee, for example, an audit committee, a risk committee, a compliance committee etc. depending on the nature and extent of the organisation's operations.

There are a number of legal requirements and good practice guides that apply to audit committees depending on the jurisdiction and type of industry and organisation.

## 4. Use of risk management, internal audit and audit committees in the private and government sectors

### Private sector

Audit committees, risk management and internal audit are widely used in the corporate sector worldwide as a mechanism to manage risk and provide independent assurance on governance, controls and financial reporting.

The *Corporations Act 2001* (Commonwealth) requires some Australian companies to ensure that financial reports are true and fair and comply with accounting standards made by the Australian Accounting Standards Board. Most of these companies have audit committees to monitor and oversight their financial reporting (in consultation with external auditors).

The Australian Securities Exchange requires entities included in the S&P/ASX All Ordinaries Index at the beginning of their financial year to have an audit committee during that year<sup>10</sup>, and to comply with specific requirements<sup>11</sup> regarding the composition, operation and responsibilities of their audit committee. If an entity does not have an audit committee, this must be disclosed along with the processes the board/governing body employs to independently verify and safeguard the integrity of its corporate reporting.

The establishment of an internal audit function is seen by many investors as essential before they will invest in a company. Since 2014, entities listed on the Australian Securities Exchange have been required to disclose to potential investors whether they have an internal audit function, how the function is structured and what role it performs. If an entity does not have an internal audit function, it must outline why it doesn't, and what assurance arrangements it has in place to manage risk and verify the integrity of financial records<sup>12</sup>. Whilst it is not mandatory, non-listed companies are recommended under Australian standards to have an audit committee as part of good governance<sup>13</sup>.

The Australian Prudential Regulation Authority has also mandated the requirement for financial, insurance and superannuation institutions to have internal audit and an audit committee<sup>14</sup>. The audit committee must also meet specific requirements.

### Australian Government public sector

While risk management and internal audit is often voluntary in the private sector, many governments around the world have mandated through legislation a requirement for public sector agencies to have an audit committee and some form of risk management.

The Australian Government, under the *Public Governance, Performance and Accountability Act 2013*, requires all Commonwealth entities to establish and maintain appropriate risk management systems and have an audit committee. The *Public Governance, Performance and Accountability Rule 2014* and Commonwealth Risk Management Policy<sup>15</sup> prescribe the requirements for how risk is to be managed.

<sup>10</sup> ASX Corporate Governance Council (2016) *ASX Listing Rules* – Rule 12.7

<sup>11</sup> As set out in ASX Corporate Governance Council (2019) *Corporate Governance Principles and Recommendations 4th Edition*

<sup>12</sup> ASX Corporate Governance Council (2014) *Corporate Governance Principles and Recommendations 3rd Edition*

<sup>13</sup> Standards Australia International (2004) *Australian Standard - Good Governance Principles* (AS 8000-2003)

<sup>14</sup> Australian Prudential Regulation Authority (2019) *Prudential Standard CPS 510 Governance* (July 2019)

<sup>15</sup> Australian Government, Department of Finance (2014) *Commonwealth Risk Management Policy*

While an internal audit function is not mandated by legislation, it is recommended that Commonwealth entities establish one to support the audit committee<sup>16</sup> and to ensure that the Secretary or Chief Executive is able to fulfil their other responsibilities under the Act. There have been calls for internal audit to be mandated for Commonwealth entities under the *Public Governance, Performance and Accountability Act 2013*<sup>17</sup>.

There are no legislated standards for risk management or internal audit in Commonwealth entities. However, the Australian Government recommends Commonwealth entities conform to ISO risk management standards and the IPPF.

## State and Territory public sectors

Most Australian states and territories have mandated risk management, internal audit and/or audit committees in their public sector agencies – these include NSW, Queensland<sup>18</sup>, Tasmania<sup>19</sup>, Western Australia<sup>20</sup>, Victoria<sup>21</sup>, and the Northern Territory<sup>22</sup>.

In South Australia, only public corporations are required to have an audit committee and an internal audit function<sup>23</sup>. While not mandatory, the Australian Capital Territory recommends its agencies have an audit committee and internal audit function and provides guidance on how they should be established and operate<sup>24</sup>.

In NSW, the new *Government Sector Finance Act 2018* requires all NSW Government departments and statutory bodies to have effective systems for risk management, internal control and assurance (including internal audit) that are appropriate for the agency<sup>25</sup>.

The NSW Government's Internal Audit and Risk Management Policy<sup>26</sup> further stipulates that all NSW Government departments and statutory bodies are required to establish an Audit and Risk Committee, risk management framework and internal audit function. The core requirements of this policy are modelled on AS ISO 31000:2009<sup>27</sup> and the IPPF. The policy is currently under review by the NSW Government following the release of AS ISO 31000:2018.

<sup>16</sup> Australian Government, Department of Finance (2018) *Resource Management Guide No. 202. A guide for non-corporate Commonwealth entities on the role of the audit committee* and Australian Government, Department of Finance (2018) *Resource Management Guide No. 202. A guide for corporate Commonwealth entities on the role of the audit committee*

<sup>17</sup> IIA (2017) *Submission to the Department of Finance's Review of the Public Governance, Performance and Accountability Act 2013*

<sup>18</sup> Section 78 of the *Financial Accountability Act 2009* (QLD) and *Financial and Performance Management Standard 2009* (QLD)

<sup>19</sup> *Treasurer's Instruction 108 – Internal Audit* (TAS) September 2011

<sup>20</sup> Part 4 of the *Financial Management Act 2006* (WA) and Government of Western Australia, Department of Treasury (2018) *Treasurer's Instructions Part XII – Internal Audit*

<sup>21</sup> Victorian Government (2018) *Standing Directions 2018 under the Financial Management Act 1994*

<sup>22</sup> *Financial Management Act 1995* (NT) and NT Government (2001) *Treasurer's Directions L4/01– Part 3 Responsible and Accountable Officers, Section 3 Internal Audit* (originally published 1995)

<sup>23</sup> Section 31 of the *Public Corporations Act 1993* (SA)

<sup>24</sup> ACT Government (2007) *Internal Audit Framework 2007* – this is currently under review by the ACT Government and changes may occur during 2019-2020

<sup>25</sup> Section 3.6 of the *Government Sector Finance Act 2018*

<sup>26</sup> NSW Treasury (2015) *TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*

<sup>27</sup> AS ISO 31000:2018 did not exist when the policy was developed in 2015

## Local government

The regulation of audit committees, risk management and internal audit in local councils varies between states and territories. Some jurisdictions, such as South Australia and Tasmania do not explicitly require their councils to have an audit committee, risk management or internal audit function. For those jurisdictions that do require an audit committee and an internal audit function, the approach varies.

All councils in Victoria are legislatively required to have an audit committee<sup>28</sup> and recommended to have an internal audit function that complies with the IPPF<sup>29</sup>.

Only large councils in Queensland are legislatively required to have an audit committee<sup>30</sup>, but all councils are required to have an internal audit function<sup>31</sup> that complies with the IPPF<sup>32</sup>.

The Western Australian Government has legislatively mandated that each council has an audit committee comprising a majority of councillors<sup>33</sup>. A formal internal audit function is not mandated, but encouraged<sup>34</sup>.

The experience in NSW is detailed in the next part of this discussion paper.

<sup>28</sup> Section 139 of the *Local Government Act 1989 (VIC)*

<sup>29</sup> Local Government Victoria (2011) *Audit Committees, A Guide to Good Practice for Local Government*

<sup>30</sup> Section 105 of the *Local Government Act 2009 (QLD)*

<sup>31</sup> Clause 207 of the *Local Government Regulation 2012 (QLD)*

<sup>32</sup> *Local Government Bulletin 08/15: Internal Audit and Audit Committees*

<sup>33</sup> Part 7 of the *Local Government Act 1995 (WA)* and the *Local Government (Audit) Regulations 1996 (WA)*

<sup>34</sup> Government of Western Australia, Department of Local Government and Communities (2013) *Local Government Operational Guidelines Number 9: Audit in Local Government. The Appointment, Function and Responsibilities of Audit Committees*

# PROPOSED RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK – THE ROAD AHEAD

## 1. Risk management and internal audit in NSW local government – the story so far

Local councils in NSW were initially created to provide local communities with basic public services such as water, roads and waste removal on behalf of the NSW Government. As NSW has grown since federation, so too have the responsibilities of local councils. In most local government areas, councils now also provide a wide variety of community services, social infrastructure and local facilities.

NSW councils continue to largely rely on funding from the NSW Government to fulfil their responsibilities, coupled with grants from the Australian Government and rates paid by private citizens. Councils must therefore be accountable to the community and the governments who fund their activities for the way they spend this money and manage public assets.

External independent assurance via an audit committee and internal audit function has been seen for some time as key mechanisms to deliver this accountability. Up to 2008, around 20% of NSW councils were voluntarily following the example set by the private sector and implementing some aspect of external assurance or internal audit function into their operations<sup>35</sup>.

In 2008, the Office of Local Government<sup>36</sup> first released guidelines to encourage councils to establish an Audit, Risk and Improvement Committee, risk management framework and internal audit function and set minimum requirements. This led to more councils establishing these mechanisms recognising the benefits they offer.

In 2009, integrated planning and reporting (IP&R) was introduced into the Local Government Act to provide a strategic planning framework for councils. IP&R could also be used to improve the management by councils of actual or potential risks to the strategic goals and objectives.

Reviews by the NSW Auditor-General found that by 2012 over 75 councils had some sort of internal audit function<sup>37</sup>, and by 2016 about 60 councils (out of 152 councils), equivalent to 39%, had or shared an Audit, Risk and Improvement Committee<sup>38</sup>. Other research conducted in 2015 suggested full adoption by councils of the other minimum requirements in the Office of Local Government's 2008 Internal Audit Guidelines may have been lower<sup>39</sup>.

By June 2018, the NSW Auditor-General<sup>40</sup> found that 86 councils or 62% (out of 138 councils and county councils) now had an internal audit function and the number of councils that had an Audit, Risk and Improvement Committee had risen to 97 or 70%. In terms of risk management, the NSW Auditor-General found that 18 councils did not have a risk management policy and 38 councils did not have a risk register.

<sup>35</sup> NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government: Department of Premier and Cabinet, Division of Local Government*

<sup>36</sup> Then the Department of Local Government

<sup>37</sup> NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government: Department of Premier and Cabinet, Division of Local Government*

<sup>38</sup> Audit Office of NSW (2017) *NSW Auditor-General Update for Audit, Risk and Improvement Committee Chairs*

<sup>39</sup> Jones and Beattie (2015) Local Government Internal Audit Compliance, *Australasian Accounting, Business and Finance Journal* 9(3)

<sup>40</sup> NSW Auditor-General (2019) *Report on Local Government 2018* (see erratum)

The findings of various public inquiries and corruption investigations since 2008 have led to increased calls for risk management and internal audit to be mandated for NSW councils.

This was realised in 2016 with amendments to the Local Government Act which require councils to establish an Audit, Risk and Improvement Committee by March 2021. These amendments also enable the making of future regulations to mandate a risk management framework and internal audit function in all councils and set a minimum standard of compliance.

This discussion paper outlines what this regulatory framework is proposed to look like.

A timeline of the key influential events that lead to the development of the proposed mandatory framework is provided in **Appendix 1**.

## 2. Proposed policy framework

The risk management and internal audit framework proposed for the NSW local government sector seeks to:

- ensure each council (including county council/joint organisation) in NSW has an independent Audit, Risk and Improvement Committee that adds value to the council
- ensure each council (including county council/joint organisation) in NSW has a robust risk management framework in place that accurately identifies and mitigates the risks facing the council and its operations
- ensure each council (including county council/joint organisation) in NSW has an effective internal audit function that provides independent assurance that the council is functioning effectively and the internal controls the council has put into place to manage risk are working, and
- establish a minimum standard for these mechanisms based on internationally accepted standards and good practice guidance.

The framework has been based primarily on the NSW public sector risk management and internal audit framework (as recommended by the Independent Commission Against Corruption<sup>41</sup>) and the IPPF<sup>42</sup>.

It has also taken into consideration:

- the existing *Internal Audit Guidelines* updated by the Office of Local Government in 2010<sup>43</sup>
- the internal audit-related recommendations of the Independent Local Government Review Panel's 2013 inquiry<sup>44</sup> and the Local Government Acts Taskforce's 2013 review<sup>45</sup>
- recommendations made by the Independent Commission Against Corruption in its various public inquiries into local councils in NSW<sup>46</sup>
- the Australian Government's public sector internal audit framework

<sup>41</sup> Independent Commission Against Corruption (2011) *Investigation into the alleged corrupt conduct involving Burwood Council's general manager and others*

<sup>42</sup> The Institute of Internal Auditors (2017) *International Professionals Practices Framework. International Standards for the Professional Practice of Internal Auditing*

<sup>43</sup> Division of Local Government (2010) *Internal Audit Guidelines*

<sup>44</sup> Independent Local Government Review Panel (2013) *Revitalising Local Government. Final Report of the NSW Independent Local Government Review Panel*

<sup>45</sup> Local Government Acts Taskforce (2013) *A New Local Act for New South Wales and Review of the City of Sydney Act 1988*

<sup>46</sup> Independent Commission Against Corruption (2017) *Investigation into the former City of Botany Bay Council Chief Financial Officer and others*. ICAC Report July 2017 and Independent Commission Against Corruption (2011) *Investigation into the alleged corrupt conduct involving Burwood Council's general manager and others*



- opinions, research and recommendations of leaders and practitioners in risk management and internal audit, and
- feedback obtained from NSW Treasury, the NSW Audit Office, the Department of Finance, Services and Innovation, the Institute of Internal Auditors and executive members of the Local Government Internal Auditors Network on earlier drafts of this discussion paper.

An overriding concern has been to ensure that the proposed framework reflects the unique structure and needs of NSW local government and that it also minimises the administrative and resource impacts for councils. For this reason, there are components of the proposed framework that are unique to NSW councils and not reflected in the above-mentioned resources.

### 3. Proposed statutory framework

The proposed statutory framework regulating internal audit in NSW councils (including county council/joint organisation) will consist of the current provisions in the Local Government Act, new regulations in the Local Government Regulation and new guidelines.

#### Current legislation

##### Audit, Risk and Improvement Committee

Section 428A of the Local Government Act (when proclaimed) will require 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 about:

- whether the council is complying with all necessary legislation
- 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 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 to improve the council's 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<sup>47</sup>.

Section 428B (when proclaimed) will also allow a council to establish a joint Audit, Risk and Improvement Committee with another council/s including through joint or regional organisations of councils.

##### Other supporting provisions

Amendments made to the Local Government Act in 2016 to prescribe new guiding principles for councils, and update the prescribed roles and responsibilities of the governing body and general manager will support and inform the work of the Audit, Risk and Improvement Committee and provide for the future establishment of a risk management and internal audit function in each council. These guiding principles and roles and responsibilities have already been proclaimed.

<sup>47</sup> Internal audit will be a matter prescribed under the Regulation.

### *Guiding principles*

The guiding principles of the Local Government Act 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 (s 8B(a))
- invest in responsible and sustainable infrastructure for the benefit of the local community (s 8B(b))
- 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 (s 8B(c))
- ensure the current generation funds the cost of its services and achieves intergenerational equity (s 8B(d)), and
- manage risks to the local community, area or council effectively and proactively (s 8C(h)).

### *Role of the governing body*

Under section 223, the statutory role and responsibilities of the governing body include:

- directing and controlling the affairs of the council in accordance with the Local Government Act (s 223 (1)(a))
- ensuring as far as possible the financial sustainability of the council (s 223 (1)(c))
- ensuring as far as possible that the council complies with the guiding principles of the Local Government Act (s 223 (1)(d))
- keeping the performance of the council under review (s 223 (1)(g))
- making the decisions necessary to ensure the council properly exercises its regulatory functions (s 223 (1)(h)), and
- being responsible for ensuring that the council acts honestly, efficiently and appropriately (s 223 (1)(l)).

### *Role of the general manager*

Under section 335, the general manager is responsible for ensuring the operational delivery of council's risk management framework and internal audit function. This includes:

- conducting the day-to-day management of the council in accordance with the strategic plans, programs, strategies and policies of the council (s 335(a))
- implementing, without undue delay, the lawful decisions of the council (s 335(b))
- advising the governing body on the development and implementation of the council's plans, programs, strategies and policies (s335(c)), 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 (s335(f)).

Clause 209 of the Local Government Regulation also states that the general manager must 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.

## New regulations

The operation of sections 428A and 428B will be supported by new regulations. These will prescribe the requirements that councils are to comply with when appointing their Audit, Risk and Improvement Committee and establishing their risk management framework and internal audit function. They will also include internal audit as a function of the Committee under section 428A(2)(i) of the Local Government Act.

The Local Government Regulation will provide for a Model Internal Audit Charter and Model Terms of Reference for Audit, Risk and Improvement Committees which all councils must adopt and comply with. This discussion paper describes the key requirements that will ultimately be prescribed by the Local Government Regulation.

## New guidelines

To support compliance with the Local Government Act and Regulation, *Guidelines for NSW Local Government Audit, Risk and Improvement Committees, Risk Management Frameworks and Internal Audit Functions* will be issued under section 23A of the Local Government Act. These Guidelines will outline the core requirements that each council's Audit, Risk and Improvement Committee, risk management framework and internal audit function must have.

A key aim of the Guidelines will be to create a strong and effective risk management framework and internal audit function in all councils by establishing minimum standards that reflect accepted international standards.

The nine core requirements of the Guidelines that councils will need to comply with are summarised below and explained in greater detail throughout the rest of this discussion paper.

The Office of Local Government will, on a periodic basis and at least once every five years, review the Local Government Regulation and Guidelines to assess the efficiency and effectiveness of internal audit requirements and the local government sector's compliance.

**CORE REQUIREMENT 1:****Appoint an independent Audit, Risk and Improvement Committee**

- (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
- (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
- (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*
- (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
- (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
- (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 *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- (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
- (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
- (i) The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings

**CORE REQUIREMENT 2:****Establish a risk management framework consistent with the current Australian risk management standards**

- (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
- (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
- (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
- (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
- (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
- (f) Each council is to ensure its risk management framework is regularly monitored and reviewed
- (g) The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities, and
- (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

**CORE REQUIREMENT 3:****Establish an internal audit function mandated by an Internal Audit Charter**

- (a) Each council (including county council/joint organisation) is to establish an internal audit function
- (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**

- (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
- (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
- (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

**CORE REQUIREMENT 5:****Develop an agreed internal audit work program**

- (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
- (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
- (c) The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed

**CORE REQUIREMENT 6:****How to performing and report internal audits**

- (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
- (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
- (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
- (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)

**CORE REQUIREMENT 7:  
Undertake ongoing monitoring and reporting**

- (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
- (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
- (c) The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair

**CORE REQUIREMENT 8:  
Establish a quality assurance and improvement program**

- (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
- (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

**CORE REQUIREMENT 9:  
Councils can establish shared internal audit arrangements**

- (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
- (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

## Implementation timelines

The transitional arrangements built into the Local Government Act mean that the requirement to have an Audit, Risk and Improvement Committee will not come into force until six months after the next ordinary elections in September 2020. Councils will therefore have until March 2021 to establish their Audit, Risk and Improvement Committees in line with the regulatory requirements proposed in this discussion paper.

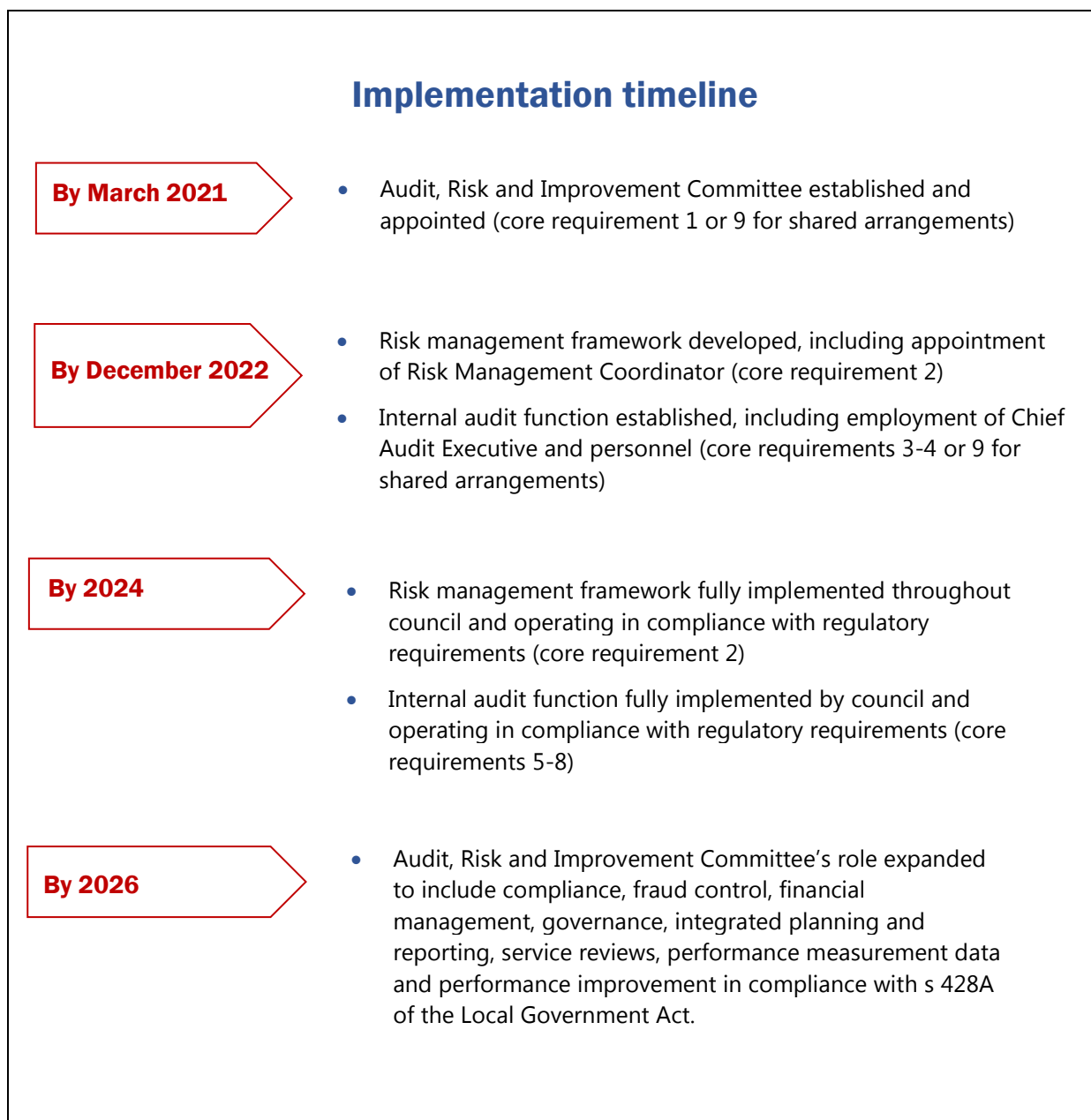
It is proposed that councils will then have a further 18 months, until December 2022, to establish and resource their internal audit function and risk management framework (guided by the Audit, Risk and Improvement Committee).

Councils' Audit, Risk and Improvement Committees will focus on ensuring the council's internal audit function and risk management framework comply with regulatory requirements during the following three years, until 2024.

As these functions are bedded down, the role of the committee is to broaden to comply with the remaining requirements of sections 428A of the Local Government Act.

Full compliance with s 428A of the Local Government Act will be expected by 2026. However, councils that already have an Audit, Risk and Improvement Committee and a mature internal audit function and risk management framework will be encouraged to comply sooner.

This implementation timeline is illustrated below.



## 4. Benefits of risk management and internal audit for NSW local government

Risk management and internal audit will be a valuable asset for councils.

Risk management will help each council to ensure that any risks to the achievement of its strategic goals and objectives are identified and managed effectively.

Audit, Risk and Improvement Committees and internal audit will provide councils with independent, objective assurance that they are doing things the best way that they can for their community. It will also lead to each council having effective risk management, control and governance processes which will help to instil stakeholder and community confidence in the council's ability to operate effectively.

If implemented effectively, these mechanisms will also lead to each council:

- having better and more efficient levels of service delivery
- achieving better operational consistency across council
- having a greater likelihood of achieving its goals and objectives
- using its resources more efficiently and effectively
- having improved responsiveness and flexibility
- having increased accountability and transparency
- achieving better decision-making and having the confidence to make difficult decisions
- developing good internal governance
- having increased financial stability
- being more resilient to change
- achieving and maintaining compliance with all laws, regulations, internal policies and procedures
- safeguarding its assets
- more reliable, timely and accurate financial and management reporting
- maintaining business continuity, and
- focusing on doing the right things, the right way.



---

## PROPOSED CORE REQUIREMENTS

---

### Core requirement 1:

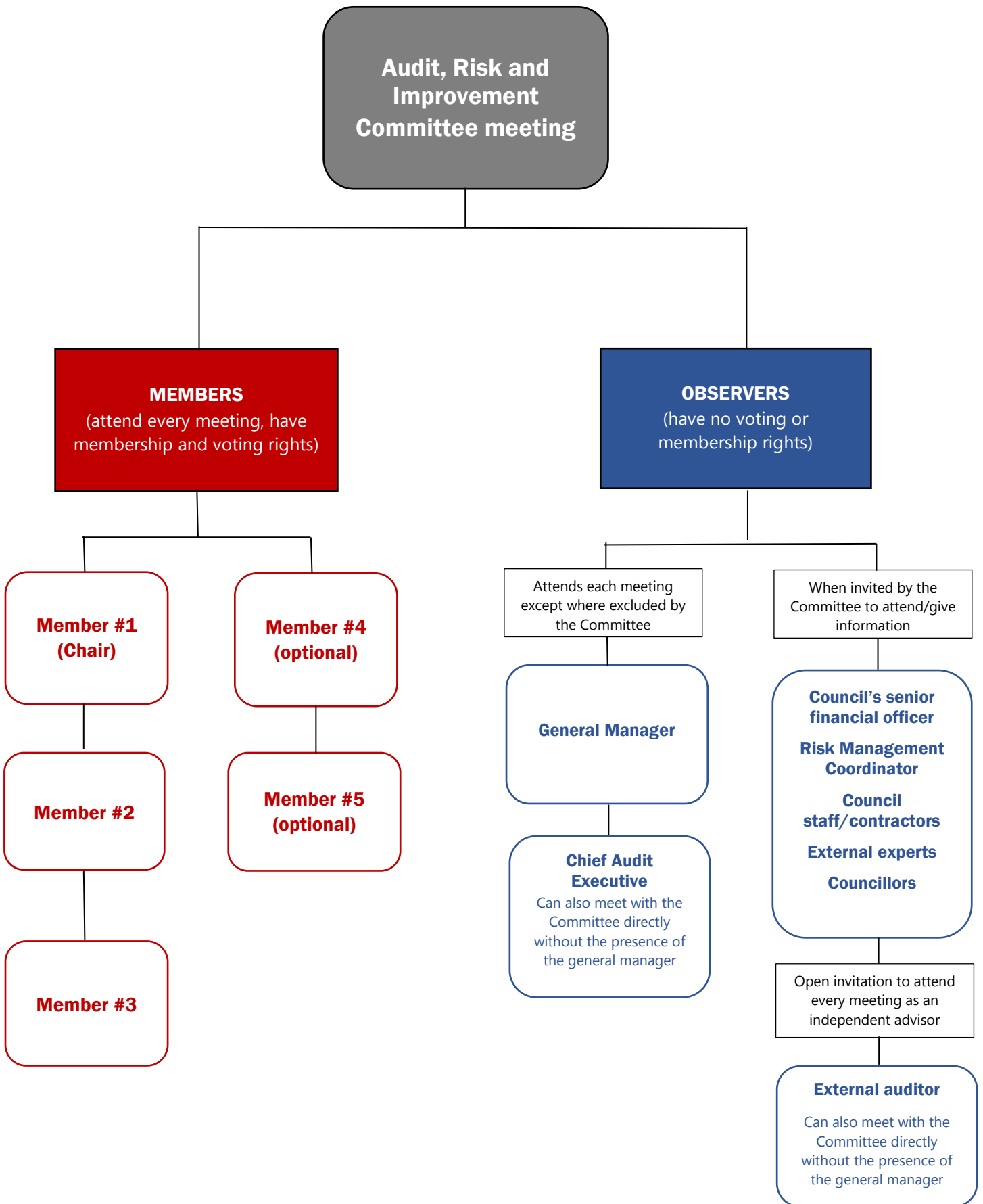
### Appoint an independent Audit, Risk and Improvement Committee

---

#### Proposal

It is proposed that:

- (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
- (b) the Audit, Risk and Improvement Committee is to operate according to terms of reference, based on model terms of reference, approved by the governing body of the council after endorsement by the Committee
- (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*
- (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
- (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
- (f) Audit, Risk and Improvement Committee members are to comply with the council's Code of Conduct and the conduct requirements of the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- (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
- (h) the Audit, Risk and Improvement Committee is to provide an annual assurance review to the governing body of the council and be assessed by an external party at least once each council term as part of the council's quality assurance and improvement program, and
- (i) the general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes must be recorded for all committee meetings.



## Description

### **(a) Each council (including county council/joint organisation) is to have an independent Audit, Risk and Improvement Committee that reviews all matters prescribed in section 428A of the Local Government Act**

---

Each council in NSW, (including county council/joint organisation), will be required to have an independent Audit, Risk and Improvement Committee that reviews all matters prescribed in section 428A of the Local Government Act.

It is recognised that each council will have different Audit, Risk and Improvement Committee requirements depending on its size, needs, budget and complexity of operations. To provide councils greater flexibility, they can either:

- directly appoint an Audit, Risk and Improvement Committee for their exclusive use
- utilise a joint Committee established by their joint or regional organisation of councils that is shared by member councils, or
- share their Committee with another council/s in close proximity or of their choosing as part of an independent shared arrangement.

It is recommended that county councils, due to their size, enter into a shared arrangement with one of their member councils or utilise an internal audit function established by a joint or regional organisation of councils.

Some of the requirements for shared arrangements will differ from those of stand-alone Audit, Risk and Improvement Committees established for a council's exclusive use (as described in core requirements 1-8). Core requirement 9 outlines the specific requirements of shared arrangements.

### **Role and functions**

Under section 428A of the Local Government Act, each council must have an Audit, Risk and Improvement Committee to 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
- (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 will also provide information to the council for the purpose of improving council's performance of its functions.

The Audit, Risk and Improvement Committee is to provide an advisory and assurance role only, and is to have no administrative function, delegated financial responsibility or any management functions.

Audit, Risk and Improvement Committees will be required to give independent advice and assurance to the general manager and the governing body of the council on the issues listed in the following table. It is envisaged that these items will be standing items on agenda of each committee meeting. Beyond this, committees will have the flexibility to address the unique challenges and operating environment of each council.

It will be a matter for each council to decide whether or not its Audit, Risk and Improvement Committee also serves any entities formed by the council.

## Audit, Risk and Improvement Committee: role and responsibilities

### Audit

Issue (s 428A)	Committee's role and responsibilities
Internal audit	<p>Advisory:</p> <ul style="list-style-type: none"> <li>• providing overall strategic and executive direction for internal audit activities</li> <li>• advising the general manager and governing body of the council of the resources necessary to successfully deliver the internal audit function</li> <li>• assessing the adequacy and effectiveness of council's internal audit activities</li> <li>• acting as a forum for communication between the governing body, general manager, senior management, the internal audit function and external audit</li> <li>• overseeing the coordination of audit programs conducted by internal and external audit and other review functions, and</li> <li>• ensuring the council achieves maximum value from its internal audit activities.</li> </ul> <p>Review:</p> <ul style="list-style-type: none"> <li>• the appropriateness of council's Internal Audit Charter, internal audit policies and procedures</li> <li>• audit/risk methodologies used</li> <li>• the findings/recommendations of internal audit activities, particularly recommendations that have been assessed as the most significant according to the risk to the council if they are not implemented</li> <li>• the effectiveness of corrective actions implemented</li> <li>• compliance with statutory requirements</li> <li>• the performance of the Chief Audit Executive and the internal audit function as part of the council's internal audit quality improvement program</li> <li>• the findings of any external reviews of the internal audit function</li> </ul> <p>Endorsement of:</p> <ul style="list-style-type: none"> <li>• the council's Internal Audit Charter, internal audit strategic four-year plan and annual work plan, and</li> <li>• the appointment and remuneration of the Chief Audit Executive</li> </ul>
External audit	<p>Advisory:</p> <ul style="list-style-type: none"> <li>• acting as a forum for communication on external audit issues, and</li> <li>• advising on the findings of external audits and monitoring the implementation by the council of any recommendations for corrective action.</li> </ul>

## Risk

Issue (s 428A)	Committee's role and responsibilities
Risk management	<p>Advisory – advising whether:</p> <ul style="list-style-type: none"> <li>• the council has provided sufficient resources for risk management and staff are able to carry out their risk management responsibilities</li> <li>• the council's risk management framework complies with current Australian risk management standards</li> <li>• the council's risk management framework operates effectively and supports the achievement of council's strategic goals and objectives</li> <li>• management has embedded a positive risk management culture</li> <li>• risk management is fully integrated into all aspects of the council, including decision-making processes and operations</li> <li>• risks are formally considered when developing and implementing all council policies, programs, projects and other activities, including procurement</li> <li>• major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect council's risk criteria</li> <li>• risk information is captured and communicated in a timely manner across the council, enabling management and staff to carry out their responsibilities</li> <li>• there are council-specific, fit-for-purpose tools, systems and processes to help all those responsible for managing risk to fulfil their responsibilities, and</li> <li>• the council's risk management policies, procedures and plans are being complied with.</li> </ul> <p>Review the appropriateness and effectiveness of the council's:</p> <ul style="list-style-type: none"> <li>• risk criteria</li> <li>• internal control framework</li> <li>• risk register and risk profile</li> <li>• risk reports</li> <li>• risk management framework in relation to its insurance arrangements, and</li> <li>• business continuity plans and natural disaster plans (including periodic testing).</li> </ul> <p>Endorsement of:</p> <ul style="list-style-type: none"> <li>• the council's risk management policy, risk management plan and risk criteria prior to their approval by the governing body of the council, and</li> <li>• the council's risk profile and risk register/s prior to their approval by the general manager.</li> </ul>
Control framework	<p>Providing independent assurance on the following internal controls implemented by the council to manage specific categories of risk:</p> <p><u>The council's compliance framework</u> - advising whether:</p> <ul style="list-style-type: none"> <li>• management has embedded a culture which is committed to lawful and ethical behaviour</li> <li>• the council has in place necessary policies and procedures and that these are periodically reviewed and updated</li> <li>• the council is complying with all necessary legislation, regulations, policies and procedures</li> <li>• management has appropriately considered all legal and compliance risks as part of the council's risk assessment and management arrangements</li> <li>• delegations are properly managed and exercised, and</li> <li>• the council's system for monitoring compliance is effective</li> </ul>

Issue (s 428A)	Committee's role and responsibilities
	<p data-bbox="432 253 1171 282"><u>The council's fraud and corruption framework</u> - advising whether the:</p> <ul data-bbox="432 288 1418 421" style="list-style-type: none"> <li data-bbox="432 288 1418 349">• council's fraud and corruption prevention plan and activities are adequate and effective, and</li> <li data-bbox="432 356 1418 421">• council has appropriate processes and systems in place to capture and effectively investigate fraud-related information</li> </ul> <p data-bbox="432 454 1358 483"><u>The council's financial management and external accountability framework</u> – including:</p> <ul data-bbox="432 490 1434 1301" style="list-style-type: none"> <li data-bbox="432 490 1434 519">• advising whether the council's financial management processes are adequate</li> <li data-bbox="432 526 1434 658">• assessing the policies and procedures for council management's review and consideration of the council's current and future financial position and performance and the nature of that review (including the approach taken to addressing variances and budget risks)</li> <li data-bbox="432 665 1434 694">• advising on the adequacy of early close and year-end review procedures, and</li> <li data-bbox="432 701 1434 1301">• reviewing council's financial statements, including: <ul data-bbox="480 734 1434 1301" style="list-style-type: none"> <li data-bbox="480 734 1434 763">○ providing input and feedback on council's financial statements</li> <li data-bbox="480 770 1434 799">○ advising whether council is meeting its external accountability requirements</li> <li data-bbox="480 806 1434 871">○ advising whether appropriate action has been taken in response to audit recommendations and adjustments</li> <li data-bbox="480 878 1434 943">○ satisfying itself that the financial statements are supported by appropriate management signoff</li> <li data-bbox="480 949 1434 1014">○ reviewing the 'Statement by Councillors and Management' (made pursuant to s 413(2)(c) of the Local Government Act)</li> <li data-bbox="480 1021 1434 1117">○ reviewing the processes in place designed to ensure that financial information included in the council's annual report is consistent with the signed financial statements</li> <li data-bbox="480 1124 1434 1153">○ reviewing cash management policies and procedures</li> <li data-bbox="480 1160 1434 1225">○ reviewing policies and procedures for the collection, management and disbursement of grants and tied funding, and</li> <li data-bbox="480 1232 1434 1301">○ satisfying itself that the council has a performance management framework that is linked to organisational objectives and outcomes.</li> </ul> </li> </ul> <p data-bbox="432 1335 954 1364"><u>The council's governance framework</u> – including:</p> <ul data-bbox="432 1370 1418 1518" style="list-style-type: none"> <li data-bbox="432 1370 1418 1435">• advising on the adequacy and robustness of the processes and systems that the council has put in place to govern day-to-day activities and decision-making, and</li> <li data-bbox="432 1442 1418 1518">• reviewing whether controls over external parties such as contractors and advisors are sound and effective.</li> </ul>

## Improvement

Issue (s 428A)	Committee's role and responsibilities
Strategic planning	<ul style="list-style-type: none"> <li>advising whether the council is achieving the objectives and goals it set out in its community strategic plan and has successfully implemented its delivery program, operational plan and other strategies</li> </ul>
Service delivery	<ul style="list-style-type: none"> <li>advising how the council is delivering local services and how it could improve its service delivery performance</li> </ul>
Performance data and measurement	<ul style="list-style-type: none"> <li>assessing the adequacy of the performance indicators and data the council uses to measure its performance</li> </ul>

### Learning and development program

Some councils, particularly larger metropolitan councils, already have an established risk management and internal audit framework and have been successfully using these assurance methods for some time. They may just need to make some adjustments to their frameworks to comply with the proposed requirements.

There are other councils that are just starting this journey - for example, they may have appointed an Audit, Risk and Improvement Committee and are now beginning the process of bedding down internal audit and risk management in their councils.

There are also some councils, particularly in rural areas, who do not have any type of internal audit or risk management in place yet, and are starting to think about how this might work for their council.

There is an opportunity for councils to learn from each other's knowledge and experiences, especially during the initial implementation stage.

A sharing and learning program for Audit, Risk and Improvement Committees will be established to facilitate sharing information between committees about how they implement s428A of the Local Government Act and perform the other regulatory requirements placed upon them.

A sharing and learning program for councils (general managers, Chief Audit Executives and/or Risk Management Coordinators) will also be established to facilitate the sharing of information and learning from each other, particularly between councils that have already established a strong internal audit and risk management function and those that are just starting this journey.

The development of these programs will be guided by similar programs established by the Australian Government and bodies such as Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Actuaries Institute.

## **(b) The Audit, Risk and Improvement Committee is to operate according to terms of reference, based on model terms of reference, approved by the governing body of the council after endorsement by the Committee**

---

Each Audit, Risk and Improvement Committee is to prepare terms of reference to define how it is structured and how it will operate. The terms of reference are to be approved by the governing body after endorsement by the Committee. The terms of reference can also be used by the council as a benchmarking tool to measure the effectiveness of the committee.

The general manager is to ensure that each member of the Audit, Risk and Improvement Committee, including new appointments, are provided with a copy of the terms of reference and a formal induction.

Each Audit, Risk and Improvement Committee's terms of reference are to comply with Model Terms of Reference<sup>48</sup>. This is consistent with councils being required to adopt policies based on model documents (for example, the Model Code of Conduct and the Model Code of Meeting Practice).

The Model Terms of Reference will require each Audit, Risk and Improvement Committee's terms of reference to:

- set out the committee's objectives, authority, composition, tenure, roles, responsibilities, duties, reporting lines, reporting and administrative arrangements
- be sufficiently detailed to ensure there is no ambiguity, and
- have clear guidance on key aspects of the committee's operations.

The Audit, Risk and Improvement Committee will be able to include additional provisions in its terms of reference as long as they do not conflict with the Model Terms of Reference or the IPPF. This will ensure any matters not contemplated by the Model Terms of Reference are addressed by councils in a robust way that complies with internationally recognised industry standards.

As part of the council's quality assurance and improvement program, where the Audit, Risk and Improvement Committee's Terms of Reference include additional provisions, they are to be reviewed annually by the Audit, Risk and Improvement Committee, and once each council term (i.e. four years) by an external party.

## **(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**

---

### **Appointment and size of the Committee**

The Audit, Risk and Improvement Committee is to be appointed by the governing body of the council. Councils may find it practical to establish a small committee of councillors and the general manager to conduct the selection process and make appointment recommendations to the larger governing body.

<sup>48</sup> The Model Terms of Reference will be drafted by the Office of Local Government in consultation with councils based on the final internal audit framework developed following consultation on this discussion paper



Each council's Audit, Risk and Improvement Committee is to have no fewer than three members and no more than five members. The Chair is to be counted as a member of the committee. The exact size of the committee is to be determined by the governing body of the council, in consultation with the general manager, taking into account the size and complexity of the council's operations and risk profile.

The Chair of the Audit, Risk and Improvement Committee is to act as the interface between the Committee and the general manager, the Committee and the governing body of council, and the Committee and the Chief Audit Executive.

## Independence of members

All Audit, Risk and Improvement Committee members must be independent. To be classified as 'independent', a member must be both:

### 1. Free of any relationships that could be perceived to result in bias or a conflict of interest or interfere with their ability to act independently.

This means an independent committee member cannot:

- be a councillor of any council in Australia, a candidate at the last election of a council or a person who has held office in a council during its previous two terms
- be employed (currently or during the last three years) by any council in Australia
- have a close personal or business relationship with a councillor or a person who has a senior role in the council
- be a current service provider to the NSW Audit Office, or have been a service provider during the last three years
- 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 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, or have an immediate or close family member who is, which could be perceived to interfere with the individual's ability to act in the best interests of the council
- currently or previously acted as an advocate of a material interest on behalf of the council or a related entity, or

### 2. Selected from the panel of prequalified audit and risk committee independent chairs and members administered by the NSW Government<sup>49</sup>.

The evaluation criteria for prequalification as a member on the Panel includes<sup>50</sup>:

- extensive senior level experience in governance and management of complex organisations
- an ability to read and understand financial statements

<sup>49</sup> The NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members* streamlines selection processes by providing an impartial third party assessment of independent persons seeking appointment to public sector Audit and Risk Committee positions. Individuals prequalified under the scheme have satisfied key skills, knowledge and experience criteria that ensure they will be able to undertake their role on an audit committee effectively. Further information about the scheme can be found at <https://www.procurepoint.nsw.gov.au/scm2421>. The scheme's prequalification criteria may be amended to ensure that members who wish to work with local government satisfy the unique needs and requirements of councils.

<sup>50</sup> See the prequalification scheme's conditions at <https://tenders.nsw.gov.au/dfs/?event=public.scheme.show&RFTUID=32C22F9B-DCD8-D61D-59601E7558E2FA26> for more information on the scheme's prequalification criteria. These criteria may be amended in relation to council Audit, Risk and Improvement Committees to ensure that members who wish to work with local government satisfy the unique needs and requirements of councils.

- a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- functional knowledge of areas such as:
  - risk management
  - performance management
  - human resources management
  - internal and external auditing
  - financial reporting
  - accounting
  - management control frameworks
  - financial internal controls
  - governance (including planning, reporting and oversight), or
  - business operations
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties
- the capacity to devote the necessary time and effort to the responsibilities of a member of an Audit, Risk and Improvement Committee, and
- possession of a relevant professional qualification or membership (for example, Certified Internal Auditor, Certified Practising Accountant, Chartered Accountant, Certified Practising Risk Manager, Graduate Member of the Australian Institute of Company Directors) is desirable.

Chairs must also possess:

- leadership qualities and the ability to promote effective working relationships in complex organisations
- an ability to communicate complex and sensitive assessments in a tactful manner to chief audit executives, senior management, board members and Ministers
- a sound understanding of:
  - the principles of good organisational governance and capacity to understand public sector accountability, including financial reporting
  - the business of the department or statutory body or the environment in which it operates
  - internal audit operations, including selection and review of chief audit executives, and
  - risk management principles.

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.

Satisfying both these criteria will ensure Audit, Risk and Improvement Committee chairs and members are sufficiently skilled and experienced and have no real or perceived conflicts of interest. It is important to note that prequalification does not automatically mean that an individual satisfies the independence requirements listed in criteria 1 above.

Living in a local government area is not, in itself, to be considered as impacting a person's ability to be independent of council.

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 Audit, Risk and Improvement Committee Chair and committee members. Likewise, the chair and members must notify the governing body and/or general manager if a real or perceived threat to their independence arises<sup>51</sup>.

### Knowledge, skills and experience collectively needed on the committee

When selecting individual Audit, Risk and Improvement Committee members, the governing body of the council will be required to ensure that the committee as a collective body has the appropriate mix of skills, knowledge and experience to successfully implement its terms of reference and add value to the council.

At least one member of the Audit, Risk and Improvement Committee should have accounting or financial management experience with an understanding of accounting and auditing standards in a local government context.

Each individual should also have sufficient time to devote to their responsibilities as an Audit, Risk and Improvement Committee member.

### Fees paid to members and the Chair

Fees paid to Audit, Risk and Improvement Committee members and the Chair are to be the same as those currently paid under the NSW Government's prequalification scheme, as set out in the table below, subject to any changes to the scheme. Members will be able to serve on Audit, Risk and Improvement Committees on a voluntary basis.

The rates include all reasonable costs incurred by members and the Chair engaged under the scheme excluding subsistence and travel costs if travelling into the Sydney metropolitan area from interstate. Subsistence and travel expenses outside the Sydney metropolitan area and/or where the panel member is from interstate are to be charged at the actual cost, or at the rates specified under the *Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009*, whichever is the lesser.

The method of payment (e.g. payroll, invoice) will be at the discretion of the council.

Council size	Indicator	Chair fee (excluding GST)	Member fee (excluding GST)
Large	Expenditure greater than \$400 million	\$20,920 per annum	\$2,092 per meeting day including preparation time
Medium	Expenditure between \$50 million and \$400 million	\$16,213 per annum	\$1,621 per meeting day including preparation time
Small	Expenditure less than \$50 million	\$12,552 per annum	\$1,255 per meeting day including preparation time

<sup>51</sup> As part of their inclusion in the prequalification scheme and prior to their engagement taking effect, chairs and members will be required to provide the council and NSW Government and the details of any other panels they are already on or any other significant appointments within or outside the local government sector (including their nature, duration, payments to the NSW Government agency administering the scheme). Currently under the scheme, members are only permitted to be appointed to five separate audit committees in the NSW public sector. This requirement will be updated to also include the NSW local government sector.

**(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**

---

The initial term of membership of an Audit, Risk and Improvement Committee member on any one Audit, Risk and Improvement Committee will be three to five-years to ensure that the committee maintains a fresh approach. Members can be reappointed or extended for a further term/s but the total period of continuous membership on any one committee will not be able to exceed eight years. 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 three-year break from serving on the committee before being appointed again.

The terms of appointments will commence on the date the legislation is commenced. This includes for any existing members of Audit, Risk and Improvement Committees already established by councils who will remain members under the new arrangements.

Membership is to be regularly rotated to keep a fresh approach and avoid any perceptions of bias or conflicts of interest. Care is to be taken to ensure that membership renewal dates are staggered so knowledge is 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.

Each council is to provide a thorough induction to each of its Audit, Risk and Improvement Committee members.

When approving the reappointment or extension of a membership term on the Audit, Risk and Improvement Committee, the governing body of the council is to consider a formal assessment by the Mayor (in consultation with the general manager) of the member's or Chair's performance on the committee.

The Council may engage an external reviewer to undertake this assessment if they choose. Joint or regional organisations may wish to engage an external reviewer that the mayors of member councils can utilise for this purpose.

The reappointment of members is also to be subject to the individual still meeting the independence and prequalification requirements outlined above.

The governing body can appoint the Chair for one term only for a period of three to five-years. The Chair's term can be extended but any extension must not cause the total term of the Chair to exceed five years.

**(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**

---

The Audit, Risk and Improvement Committee is to meet at least quarterly over the course of each year. A special meeting may be held, if needed, to review the council's financial statements.

Meetings can be held in person, by telephone or videoconference.

The committee is to ensure that its meeting agenda covers all of its responsibilities, as outlined in the committee's terms of reference, and all the items included in council's annual internal audit work plan.

The Audit, Risk and Improvement Committee will also be able to hold additional meetings when significant unexpected issues arise, or the Chair is asked to hold an additional meeting by the majority of committee members, the general manager, or the governing body of the council (by resolution). The Chair will be responsible for deciding if an additional meeting will be held. To enhance accountability, the ability to hold additional meetings is to be documented in the committee's terms of reference.

Any individual Audit, Risk and Improvement Committee member who wishes to meet with the general manager or governing body of the council to discuss internal audit issues is to do so through the Chair of the committee, and vice versa.

### **Agenda and minutes**

The agenda for each Audit, Risk and Improvement Committee meeting is to be circulated at least one week before the meeting. It is to include as standing items all the lines of defence listed in section 428A of the Local Government Act - internal audit, external audit, risk management, compliance, fraud and corruption, financial management, governance, strategic planning, service delivery and performance measurement.

Audit, Risk and Improvement Committee meeting minutes are to:

- include a record of attendance, items of business considered, decisions and actions arising
- be approved by the Chair before circulation
- be provided to the governing body to enable councillors to keep abreast of assurance issues throughout the year, as well as the general manager, Chief Audit Executive and external auditor
- be provided within two weeks of the meeting date to ensure relevant individuals are made aware of any significant issues discussed at the meeting that need to be dealt with, and
- be treated as confidential unless otherwise specified by the committee - public access should be controlled to maintain confidentiality in accordance with council policy.

### **Quorum**

A quorum is to consist of a majority of Audit, Risk and Improvement Committee members. Where the vote is tied, the Chair is to have the casting vote.

### **Attendance of non-voting observers at committee meetings**

Audit, Risk and Improvement Committee meetings will not be open to the public.

In addition to Audit, Risk and Improvement Committee members, the general manager and the Chief Audit Executive are to attend committee meetings as non-voting observers, except where they are excluded by the committee.

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 committee can also exclude the external auditor if needed.

The Audit, Risk and Improvement Committee will be able to request to meet with any of the following non-voting individuals whenever necessary in order to seek additional information or explanations:

- privately with the Chief Audit Executive and/or external auditor without the general manager present (this is to occur at least annually)
- council's Chief Financial Officer (or equivalent) given their knowledge of, and responsibility for, council's financial management
- council's Risk Management Coordinator
- any councillor (the Chair of the Committee only)
- 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 comply with the Audit, Risk and Improvement Committee's request.

Others may, with the agreement of the Audit, Risk and Improvement Committee, attend as non-voting observers at committee meetings, but such persons will have no membership or voting rights. The committee can also exclude any of these observers from meetings as needed.

The Audit, Risk and Improvement Committee can also request any written reports or other risk management reports from council's senior management, or other related information as necessary, to enable it to fulfil its assurance role in relation to council's risk management framework. The Committee can also request senior managers to present at Committee meetings to discuss their activities and risks.

The committee will be able to hold closed ('in-camera') meetings whenever it needs to discuss confidential or sensitive issues with only committee members of the Audit, Risk and Improvement Committee present.

The Audit, Risk and Improvement Committee can obtain such external legal or other professional or subject matter expert advice, as considered necessary to meet its responsibilities. The service provider and payment of costs for that advice by the council is subject to the prior approval of the governing body of the council.

### **Access to council, staff, resources and information**

The Audit, Risk and Improvement Committee is to have direct and unrestricted access to the general manager, senior management and staff and contractors of the council in order to perform its role.

The Audit, Risk and Improvement Committee is also to have direct and unrestricted access to the council resources and information it needs to perform its role.

The Audit, Risk and Improvement Committee may only release council information to external parties with the approval of the general manager. The general manager's approval is not required where the information is being provided to an external investigative, audit or oversight agency such as, but not limited to, the Office of Local Government, the NSW Audit Office, the Independent Commission Against Corruption or the NSW Ombudsman for the purpose of informing that agency of a matter that may warrant its attention.

**(f) Audit, Risk and Improvement Committee members are to comply with the council's Code of Conduct and the conduct requirements of the NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members**

---

Under section 440 of the Local Government Act, independent Audit, Risk and Improvement Committee members are subject to and required to comply with the council's Code of Conduct. Complaints or breaches of council's code of conduct will be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*<sup>52</sup>. Committee members should also be deemed to be a 'designated person' and required to complete and submit returns of interests.

As required under the Model Code of Conduct, Audit, Risk and Improvement Committee members must declare any pecuniary or significant non-pecuniary conflicts of interest at the start of each Committee meeting, before discussion of the relevant agenda item or issue, or when the issue arises. Details of any conflicts of interest should also be appropriately minuted.

Where Audit, Risk and Improvement Committee members or observers at Committee meetings are deemed to have a real or perceived conflict of interest they are to remove themselves from Committee deliberations on the issue.

Given they will have been selected from the NSW Government's panel of prequalified Audit and Risk Committee Independent Chairs and Members, members will also be required to comply with that scheme's conduct requirements<sup>53</sup>.

**(g) Disputes between the general manager and/or 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**

---

Members of the Audit, Risk and Improvement Committee should maintain an effective working relationship and try to resolve any differences they may have via open negotiation.

However, in the event of a disagreement between the council management and the Chief Audit Executive (for example, about findings or recommendations of audits), it is to be resolved by the Audit, Risk and Improvement Committee. Disputes between the council management and the Audit, Risk and Improvement Committee are to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Office of Local Government in writing for its resolution.

<sup>52</sup> The Procedures can be found at <http://www.olg.nsw.gov.au/sites/default/files/Procedures-for-Administration-of-Model-Code-of-Conduct.pdf>

<sup>53</sup> The prequalification scheme's code of conduct can be found at <https://www.procurepoint.nsw.gov.au/scm2421>

**(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 the council's quality assurance and improvement program**

---

### **Annual assurance report**

As part of council's quality assurance and improvement program, the Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body which provides:

- a summary of the work the committee performed to discharge its responsibilities during the preceding year
- advice on the appropriateness of the Committee's terms of reference (where the Committee's terms of reference contain additional clauses to those contained in the Model Terms of Reference)
- an overall assessment of the following aspects of council's operations in accordance with section 428A of the Local Government Act:
  - 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, and
  - any other matters prescribed by the regulation (i.e. internal audit), and
- any other information to help the council improve the performance of its functions.

This will ensure that the governing body of the council receives the committee's independent views about these matters in accordance with legislative requirements each year. It will also enable the governing body to assess the work of the Committee each year.

### **Strategic external review**

At least once each council term (i.e. four years) an external strategic review of the effectiveness of the Audit, Risk and Improvement Committee is to be conducted to assess how the committee is functioning. This will provide accountability and ensure that the governing body of the council can assess how the committee's performance and whether any changes to the committee's terms of reference or membership are required.

This strategic external review is to consider:

- whether the Committee has fulfilled its terms of reference
- the appropriateness of the Committee's terms of reference (where the Committee's terms of reference contain additional provisions to those contained in the Model Terms of Reference)
- the performance of Committee members and whether any change of membership is required
- 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, and
- whether the work of the Committee has contributed to the improvement of the factors identified in section 428A of the Local Government Act.



The external review is to address the collective performance of the Audit, Risk and Improvement Committee, as well as the individual performance of each member and the Chair. In considering the outcomes of the external strategic review, the review is to consider feedback on each member's performance by the Chair of the Committee, mayor and general manager. The governing body of council will be able to request the Chair of the committee to address the council and answer any questions about the operation of the committee.

### **Dismissal of committee members and the Chair**

The governing body of council may terminate the engagement of the Chair or a member of the Audit, Risk and Improvement Committee where the Chair or member has:

- breached the conditions of the prequalification scheme
- breached the council's Code of Conduct
- performed unsatisfactorily, or
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.

Termination can only occur with the approval of the Chief Executive of the Office of Local Government and is to be reported to the agency which is responsible for administering the Audit, Risk and Improvement Committee prequalification scheme. Approval is not needed for termination where the Chair or member has become ineligible or removed from the prequalification scheme by the agency administering the scheme. Dismissal is automatic in these situations.

### **(i) The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings**

---

The general manager will be required to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. The main functions of this role are to be:

- minuting Audit, Risk and Improvement Committee meetings
- preparing agendas, and
- providing the committee with any information it needs to fulfil its responsibilities.

## **Core requirement 2:**

### **Establish a risk management framework consistent with current Australian risk management standards**

---

#### **Proposal**

It is proposed that:

- (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
- (b) the governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework
- (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
- (d) each council is to fully integrate its risk management framework within all of the council's decision-making, operational and integrated planning and reporting processes
- (e) each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability
- (f) each council is to ensure its risk management framework is regularly monitored and reviewed
- (g) the Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities, and
- (h) the general manager is to publish in the council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements.

#### **Description**

##### **(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**

---

Each council in NSW (including county council/joint organisation) will be required to implement a risk management framework that is consistent with the current Australian risk management standard – currently AS ISO 31000:2018<sup>54</sup>. The framework is to take an enterprise risk management approach which applies to all council activities and risks, not just well-recognised risks such as work health and safety, insurable risks and disaster recovery planning.

<sup>54</sup> Where ISO 31000:2018 is superseded following a future review by the International Organisation of Standardisation or Standards Australia, councils are to conform to the most current Australian risk management standard. AS ISO 31000:2018 can be found at <https://www.standards.org.au/standards-catalogue/sa-snz/publicsafety/ob-007/as--iso--31000-colon-2018>

The definition of risk management adopted by councils will be the same as that adopted in AS ISO 31000:2018. Risk management comprises of *"coordinated activities to direct and control an organisation with regard to risk"*. Risk is 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"*.

It is recognised that each council will have different risk management requirements depending on its size, needs, budget, complexity of operations and risk management maturity (i.e. the extent to which risk management has already been implemented in the council). Councils will have the flexibility under AS ISO 31000:2018 to choose the size, scope and delivery of their risk management activities so long as they include a number of key structural components (see below).

Where a council wishes to impose requirements that are additional to the proposed framework, it will be able to do so provided the requirements conform to AS ISO 31000:2018 and do not conflict with regulatory requirements.

### **(b) The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework**

---

The governing body of each council is to provide the resources needed to:

- implement a risk management framework appropriate to the council, and
- deliver the risk treatments and internal controls needed to ensure the council's risks are appropriately managed.

This forms part of the governing body's responsibility for approving the council's budget.

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 makes informed budgeting decisions, the Audit, Risk and Improvement Committee is to advise the governing body of the resources needed, having regard to any budgetary constraints and the council's operational environment.

Where the Audit, Risk and Improvement Committee considers the resourcing provided for risk management is insufficient relative to the risks facing the council, it is to draw this to the attention of the general manager and the governing body of the council. The Chair of the Committee is to also ensure that the Committee's funding recommendations are minuted by the Committee's secretariat.

The governing body will also be responsible for approving key elements of the council's risk management framework, including the council's risk management policy, risk management plan and risk criteria, following their endorsement by the Audit, Risk and Improvement Committee (see below).

**(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 the council's risk criteria and how risk that falls outside tolerance levels will be treated**

---

In compliance with AS ISO 31000:2018, each council's risk management framework is to comprise the following key elements:

### **Risk management policy**

Each council will be required to adopt a risk management policy that communicates the commitment of the governing body and the general manager to risk management, and how risk management will be undertaken by the council. The risk management policy is to be approved by the governing body, after endorsement by the Audit, Risk and Improvement Committee.

The council's risk management policy is to describe, at a minimum:

- The council's risk management objectives and priorities, and how these are linked to the council's strategic plans and objectives
- how risk management will be integrated into the overall culture of the council, core business activities and decision-making
- the council's risk criteria
- how the council's risk management policy sits within, and is supported by the council's other policies
- who in the council is accountable and responsible for managing risk in the council
- the resources that will be made available, and
- how the council's risk management performance will be reviewed, measured, reported and improved.

The council's risk management policy can also provide guidance to council staff on the council's commitment to:

- integrating risk management into the council's procedures and practices
- communicating the council's approach to managing risk
- coordinating the interface between risk management and other assurance activities, for example, the Audit, Risk and Improvement Committee, the council's internal audit function and external audit, and
- incorporating risk management into internal staff induction and professional development programs.

The council's risk management policy is to be reviewed at least once each council term, or within one year if there is a significant restructure or change.

### **Risk management plan**

Each council is to develop and implement a risk management plan that provides a structure for how the council will implement its risk management policy and conduct its risk management activities. The chief purpose of the plan is to ensure that the council's arrangements for managing risks are clearly understood and practiced, and identifies where, when and how different types of decisions relating to risk are made across the council and by whom.

To do this, it must include:

- the activities the council will undertake to implement its risk management policy
- roles, accountabilities and responsibilities in relation to risk management
- the timeframes for risk management activities

- how risk management processes will be implemented and maintained (see below)
- resourcing requirements (people, IT and physical assets)
- training and development requirements
- performance measures that will be used to evaluate the success of the council's risk management framework, and
- how and when the council's risk management framework will be reviewed.

Depending on the size, complexity and nature of the council, the council may require a single risk management plan or a hierarchy of linked risk management plans.

The governing body is to approve the council's risk management plan, and any changes made to it, after endorsement by the Audit, Risk and Improvement Committee.

Risk management plans should be living documents and regularly reviewed to reflect current and emerging risks as circumstances change.

### **Risk management process**

The risk management process is a systematic way of identifying, assessing and prioritising risks, deciding how they will be managed, and documenting and communicating this across the council. A summary diagram of the risk management process is provided below.

Each council's risk management process is to include the following stages to ensure its risks are managed effectively. Each stage is to be performed in accordance with AS ISO 31000:2018, using qualitative, semi-quantitative or quantitative methods and techniques that best suit the council's operations, risk management maturity and decision-making needs. NSW Treasury has released a *Risk Management Toolkit for NSW Public Sector Agencies* that councils can use to help them establish their risk management framework<sup>55</sup>.

All knowledgeable council staff are to be involved and councils are encouraged to access external expertise where required.

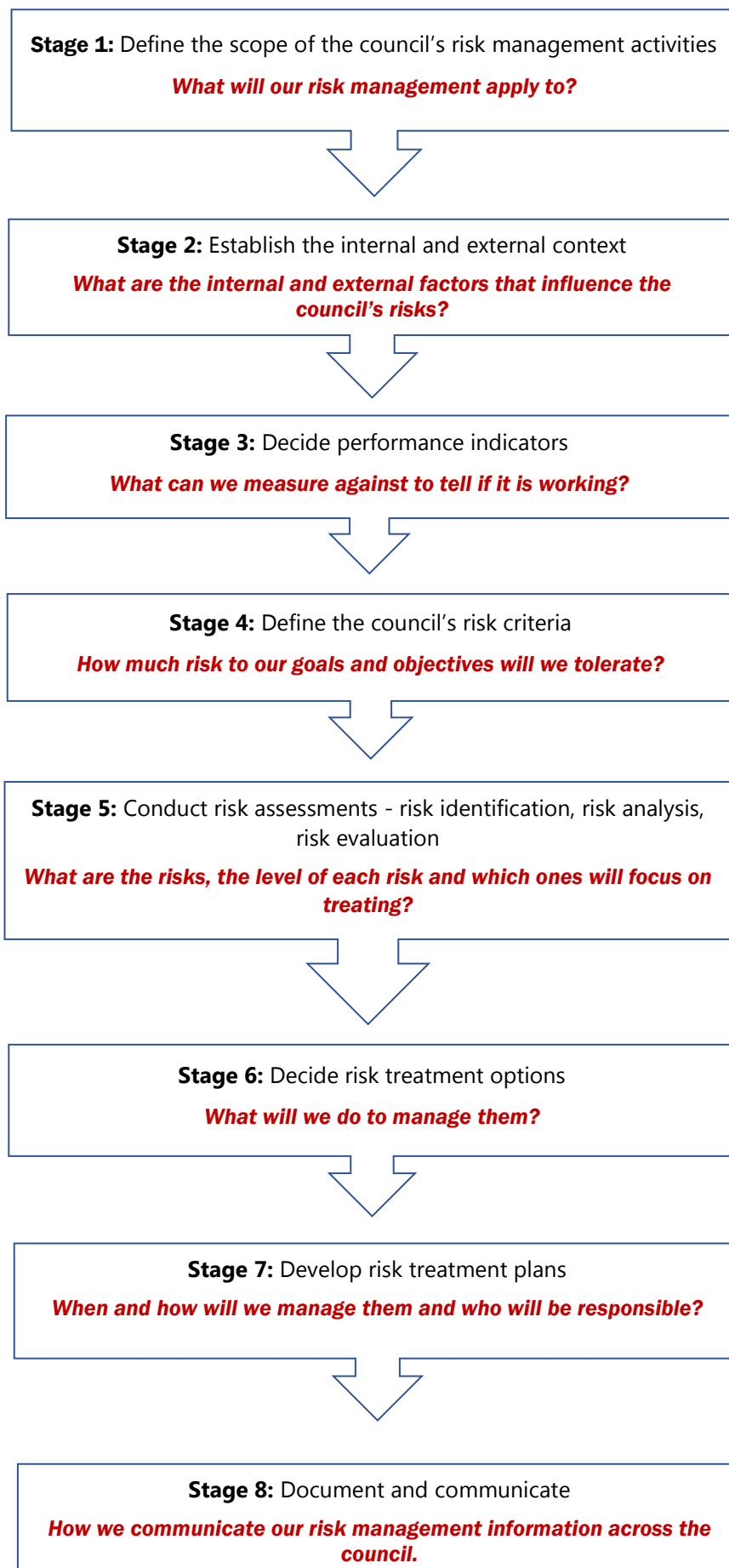
#### **Stage 1: Define the scope of the council's risk management activities**

The council is to decide and document the scope of its risk management activities to assist in planning the council's risk management approach. The scope to be decided includes aspects such as:

- the objectives of the council's risk management framework and outcomes expected
- the resources required to plan and develop the framework
- who is responsible for planning and developing the framework
- what records will be kept, and
- what will be the relationship of the risk management framework to other council projects, processes and activities.

<sup>55</sup> The *Risk Management Toolkit for Public Sector Agencies* (TPP 12-03) can be found at <https://www.treasury.nsw.gov.au/information-public-entities/governance-risk-and-assurance/internal-audit-and-risk-management/risk>

## Stages of council's risk management process



## Stage 2: Establish the internal and external context

The council is to ensure that it understands and documents the internal and external environment or parameters it operates in and how risk management will impact, and be impacted by these. Factors to be taken into consideration should include internal, political, economic, socio-cultural, technological, legal, and environmental trends and drivers that influence the council's operating environment and can be a source of risk.

## Stage 3: Decide performance indicators

The council is to decide the performance indicators it will use to measure the effectiveness of its risk management framework and identify gaps between its actual and desired performance. The performance indicators selected need to be able to be easily measured on an ongoing basis, easily interpreted and understood by staff and management, and provide a meaningful picture of the council's risk management performance.

## Stage 4: Define the council's risk criteria

The council is to decide its risk criteria - that is, the amount and type of risk that it is willing to take, or not take, in order to achieve its strategic plan and objectives. It should also define criteria to evaluate the significance of risk based on the council's values, objectives and resources. This will ensure that all council staff have a common understanding of how to evaluate whether a risk is significant and requires a response. It will also ensure that ongoing decision-making about specific activities is consistent across the council.

While the council's risk criteria must be established at the beginning of the risk assessment process, it is dynamic and should be continually reviewed and amended as changes occur to the council's internal or external context.

The council's risk criteria is to be approved by the governing body of the council, after endorsement by the Audit, Risk and Improvement Committee.

## Stage 4: Conduct risk assessments

The council is to conduct risk assessments using the following three-step process<sup>56</sup>:

- risk identification – as a first step to assessing what risks need managing, the council is to identify and categorise any risks it is aware of that may help or prevent the council from achieving its strategic goals and objectives. Risk categories could include, for example, council governance risks, fraud and corruption risks, financial risks, compliance risks, risks to council policies, programs and projects, risks to the continuity of operations and services, environmental damage risks, work health and safety risks, purchasing and procurement risks and reporting risks
- risk analysis - once each risk is identified, the council is to assess the effectiveness of any controls that already exist to reduce or enhance the likelihood of a particular event and manage the nature and magnitude of any consequences. This will enable the council to determine the overall level of risk that exists, and
- risk evaluation - once the overall level of risk is determined, the council is to assess and decide which risks require further treatment, and in what order of priority. This is to involve comparing the overall level of risk that exists (based on the risk analysis performed) to the council's risk criteria.

<sup>56</sup> In addition to AS ISO 31000:2018, *IEC/ISO 31010 Risk management – risk assessment techniques* provides additional guidance on each step of the risk assessment process. This standard can be found at <https://www.iso.org/standard/51073.html>

Those risks that fall outside the risk levels the council is willing to tolerate are to be proactively managed. The least tolerable risks are to be given the highest priority.

### **Stage 5: Decide risk treatment options**

The council is to determine a strategy for the treatment of each risk. A decision should be made to either:

- minimise the risk by implementing controls (see stage 6)
- avoid the risk by adopting alternative approaches (for example, revising the timing of a project, choosing a different delivery model)
- transfer the risk to another party which has greater control over the risk, or is less susceptible to the impact of the risk (for example, insurance), or
- accept the risk and develop contingency plans to minimise the impact should the risk eventuate.

### **Stage 6: Develop risk treatment plans**

The council is to develop risk treatment plans that document how the control will be implemented and integrated into the council's day-to-day management and operational processes. Risk treatment plans are to include:

- the rationale, actions to be taken and expected outcome of control
- who is responsible for implementing the control
- resources required
- timeframes, and
- necessary monitoring and reporting, including the performance indicators that will be used to measure the controls effectiveness.

The general manager is to approve the council's risk treatment plans.

### **Stage 7: Document and communicate**

The council is to develop risk reports to summarise and communicate to all staff what risks the council faces. These reports will also be used by the council to regularly review the risk management framework.

Each council's risk reports will vary, dependent on the needs, complexity and risk maturity of each council. At a minimum, however, they should include:

- a risk profile – this is a high-level status report which describes the priorities and management of risk across the council. It provides an overall picture of a council's risk profile, identifies risk priorities, explains the rationale for decisions made about individual risks and allows those responsible for managing particular risks to see how their risks/controls fit into the council's overall risk management framework, and
- risk registers – these describe and prioritise each individual risk, including its cause/s, impact/s and control/s. They also outline who in the council is responsible for managing individual risks.

Risk reports are to be approved by the general manager, following endorsement by the Audit, Risk and Improvement Committee.



## **(d) Each council is to fully integrate its risk management framework within all of the council's decision-making, operational and integrated planning and reporting processes**

---

The council's risk management framework must be integrated within all of the council's decision-making processes, governance structures, operational procedures and integrated planning and reporting processes for it to be successful.

For effective risk integration to occur, each council must ensure that, in addition to its risk management policy, plan and process, it implements the following supporting elements:

### **Risk management culture**

A poor risk management culture can lead to poor risk management outcomes.

Each council is to foster a positive risk management culture that ensures that the task of managing risks is not seen by management and staff as an additional responsibility or burden, but a normal part of everyday activities and decision-making. A positive risk management culture relies on strong leadership, commitment, reinforcement and communication from the general manager and senior management of the council.

### **Risk management communication**

Poor communication about risk management can lead to a lack of ownership for managing risk.

Each council is to ensure there is clear communication and consultation about risk management to ensure all staff have a common understanding of:

- the basic principles of risk management
- why the council undertakes risk management and how it relates to the council's strategic plans and objectives
- the basis on which decisions within the council are made and the reasons why particular actions are required to manage risk
- the council's risk criteria and risk management policy, plan and priorities
- staff responsibilities and accountabilities for managing certain risks, and
- how to notify new or emerging risks or when something goes wrong or is not working.

The way each council communicates risk management to its staff will vary depending on its needs, organisational structure, existing communication methods and risk maturity. Communication mechanisms could include, for example, specific risk reports relating to key drivers, trends, incidents, risks or business units, formal training programs, information sessions and informal communication such as staff newsletters.

### **Risk management information system/s**

Each council's risk management framework is to be supported by a robust risk management information system that manages risk-related reports, registers, information, documents, policies and procedures. Easy access to information will ensure the council is able to monitor risks/controls and make informed decisions about any further action needed.

The size, complexity and risk management maturity of a council, and the nature of its risk information, will influence the type of risk management information system that it requires. For smaller councils, Microsoft Word or Excel documents that record, report and communicate risk may be appropriate. Larger councils may need to purchase a custom-made product or system.

### **(e) Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability**

---

It is the responsibility of all council managers and staff to manage risk.

For risk management to be effective, all staff (permanent, temporary and contractors) must be aware of the risks that relate to their day-to-day roles and activities and their responsibility for managing these risks and following risk management policies and procedures.

To provide accountability, risk management responsibilities are to be clearly articulated in the job descriptions and performance measurement processes of all relevant managers and staff.

Managers and staff with risk management responsibilities are to also have the necessary skills, knowledge and experience required to fulfil their risk management responsibilities, as well as attitudes and behaviours that support risk management.

#### **General manager and senior managers**

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 will have ultimate responsibility and accountability for risk management in the council.

This includes:

- approving the council's risk management plan, risk treatment plans, risk register and risk profile
- recommending the council's risk management policy and risk criteria for the endorsement of the Audit, Risk and Improvement Committee and approval of the governing body
- overseeing the council's risk management framework and ensuring it is effectively communicated, implemented and reviewed regularly
- promoting and championing a positive risk culture
- ensuring that all council managers and staff (permanent, temporary or contract) understand their risk management responsibilities and that these are included in all job descriptions, staff induction programs, performance agreements and performance appraisals
- annually attesting that council's risk management framework complies with statutory requirements, 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 key aspects of the council's risk management framework to a group of senior managers established for this purpose. The senior management group would report to the general manager on risk management issues.

Tasks delegated to a council's senior management group could include:

- developing the council's risk management policy
- determining the council's risk criteria
- leading the risk management process - for example, evaluating the council's internal and external context, identifying, assessing and prioritising risks and developing risk treatment plans and internal controls
- developing the council's risk register and risk profile
- communicating and implementing the council's risk management policy and plans across council

- advising/reporting on the performance and implementation of the council's risk management framework to the general manager, and
- reviewing recommendations for corrective actions from the Chief Audit Executive and council's internal audit function and determining council's response.

The senior management group is to meet regularly to enable it to fulfil its functions. Council's Risk Management Coordinator is to attend senior management group meetings. The senior management group can also invite the Chief Audit Executive.

Responsibilities for risk management assigned to the general manager and senior managers are to be included in their employment contract and performance reviews.

### **Risk Management Coordinator and risk management function**

The general manager is to appoint a Risk Management Coordinator who will be 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 Risk Management Coordinator is to report directly to the general manager or a member of the senior management group in relation to council's risk management function.

Whilst this role has been titled as the 'Risk Management Coordinator', councils will be free to use whatever title they wish to refer to this function (for example, Chief Risk Officer, Risk Manager etc.).

The role and responsibilities of the Risk Management Coordinator are to include:

- supporting the senior management group 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 senior management group
- 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 their role, the Risk Management Coordinator must:

- 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.

Each council will have the flexibility to establish its risk management function based on its structure, resourcing, risk management needs and risk management maturity.

For some councils with larger budgets and higher risks, the Risk Management Coordinator will require dedicated staff to help implement the council's risk management framework. For other councils, their size and risk profile may not justify additional risk management staff and the Risk Management Coordinator will be sufficient.

While best practice would see a stand-alone Risk Management Coordinator employed by each council, it is recognised that some smaller or rural councils may find it difficult to employ a stand-alone Risk Management Coordinator due to the cost involved, the council's remote location and/or that the council's risk management framework may not require a full-time stand-alone employee.

Councils will, therefore, be able to combine the Risk Management Coordinator's role with other council responsibilities (including the Chief Audit Executive) provided that there are adequate safeguards put in place by the council 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 Risk Management Coordinator's additional role, including the reporting lines, responsibilities and expectations related to the role
- any potential issues or conflicts of interest arising from the other operational roles held by the Risk Management Coordinator being formally documented and communicated to the Audit, Risk and Improvement Committee
- the Risk Management Coordinator being prohibited from undertaking risk management evaluations and reviews in relation to the council operations they are responsible for. Another senior staff member will conduct these and will report directly to the general manager on the results
- if the Chief Audit Executive and Risk Management Coordinator is a combined role, any independent review of council's risk management framework must be undertaken by an independent external party, and
- the Audit, Risk and Improvement Committee regularly assessing that the safeguards put in place are effective.

## **Council managers**

Responsibility for managing specific policy, project and program risks generally rests with council managers across the council. This includes council managers being responsible, within the sphere of their authority, for:

- promoting awareness of risks and risk treatments that must be implemented
- ensuring council staff are implementing the council's risk management framework as developed and intended and performing their risk management responsibilities
- identifying risks that will affect the achievement of the council objectives
- establishing and/or implementing specific policies, operating and performance standards, budgets, plans, systems and/or procedures to manage risks, and
- monitoring the effectiveness of risk treatment and internal controls.

## All other council staff

All council staff are to be responsible for:

- helping to identify risks in their business unit
- implementing risk treatment plans within their area of responsibility
- following standard operating procedures (where applicable), and
- communicating or escalating new risks that emerge to their manager.

### (f) Each council is to ensure its risk management framework is regularly monitored and reviewed

---

The senior management group is to establish and maintain an ongoing monitoring and review process of the information gathered from council's risk management process<sup>57</sup> to ensure its risk management framework is up-to-date and relevant. It will also enable the senior management group to report to the general manager, governing body of the council and Audit, Risk and Improvement Committee when required about the council's risk management framework.

Each council is to base its ongoing monitoring and review process based on its own needs, however, this should include at a minimum the following two key elements:

1. **Quarterly advice from the Risk Management Coordinator to the senior management group assessing the council's risk profile and risk registers** – this will ensure that risks are being correctly identified, prioritised and treated, and any emerging problems are known and rectified quickly. Any changes are to be captured in updates to the council's risk profile and risk register, and relevant risk treatment plans.
2. **An annual self-assessment at the end of each financial year by the senior management group of the quality of the council's risk management framework** – this is to assess the operation of the risk management framework during the preceding financial year and to ensure:
  - the council is providing sufficient resources for risk management and staff are able to carry out their risk management responsibilities
  - the council's risk management framework complies with AS ISO 31000:2018
  - the council's risk management framework operates effectively and supports the achievement of council's strategic goals and objectives
  - management has embedded a positive risk culture
  - the council's risk criteria is appropriately reflected in council's internal control framework
  - the council takes an enterprise risk management approach that is fully integrated into all aspects of the council, including decision-making processes and operations
  - 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 is current and appropriate

<sup>57</sup> This includes ongoing monitoring and review of the scope of the council's risk management framework, the context the council operates in, the council's risk criteria, the results of the council's risk assessment, controls implemented, risk treatment plans and risk reports such as the council's risk profile and risk registers

- 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.

Ultimately the general manager is responsible for the implementation of the council's risk management framework, and ensuring that risks are being managed appropriately. Each council will have the flexibility to decide, based on its own needs and resources, how and when the senior management group reports risk information to the general manager and the governing body of the council.

Standards Australia has released *HSB 158-2010 Delivering assurance based on ISO 31000:2009 Risk management – Principles and guidelines*<sup>58</sup> which may assist councils to monitor and review their risk management frameworks.

## Performance management system

The senior management group is to ensure the effectiveness of the risk management framework can be assessed. This will require the senior management group and Risk Management Coordinator to ensure that:

- approved risk treatment plans have performance targets that can be measured against goals and objectives, and
- a data collection system is maintained to obtain the data needed to measure the impact of the council's risk management framework.

Performance targets are to be set annually by the senior management group, in consultation with the general manager and the Audit, Risk and Improvement Committee.

## **(g) The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities**

---

### Role of the Audit, Risk and Improvement Committee

The Audit, Risk and Improvement Committee will be responsible for providing independent assurance to the general manager and governing body that the council's risk management framework is appropriate and working effectively.

This includes advising whether:

- the council is providing sufficient resources for risk management and staff are able to carry out their risk management responsibilities
- the council's risk management framework complies with AS ISO 31000:2018
- the council's risk management framework operates effectively and supports the achievement of the council's strategic goals and objectives
- management has embedded a positive risk management culture
- the council's risk criteria is appropriately reflected in the council's internal control framework
- the council takes an enterprise risk management approach that is fully integrated into all aspects of the council, including decision-making processes and operations

<sup>58</sup> More information about HSB 158-2010 can be found at <https://www.standards.org.au/standards-catalogue/sa-snz/publicsafety/ob-007/hb--158-2010>. Please note that this standard is based on the previous risk management standard ISO 3100:2009 and may possibly be updated.

- 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 is appropriate
- risk information is captured and communicated in a timely manner across the council, enabling management and staff to carry out their responsibilities
- there are council-specific, fit-for-purpose tools, systems and processes to help all those responsible for managing risk to fulfil their responsibilities, and
- the council's risk management policies, procedures and plans are being complied with.

The Audit, Risk and Improvement Committee's role and responsibilities in relation to risk management are to be documented in its terms of reference.

The frequency and nature of the Committee's assurance to the general manager and governing body is to be determined by the Committee in consultation with the general manager and governing body of the council.

At a minimum, the Audit, Risk and Improvement Committee is to be required to provide an annual assessment of the council's risk management framework as part of its annual assurance report to the governing body of the council. This will ensure that the governing body of the council receives the Committee's independent and objective opinion about the risk management activities conducted each year. It will also support the governing body in the exercise of its oversight role under the Local Government Act.

#### [Reporting to the Audit, Risk and Improvement Committee](#)

The Audit, Risk and Improvement Committee is to determine in consultation with the general manager what information it needs from the council to fulfil its risk management assurance role. Information requirements are to be based on the council's risk management maturity, the resources available and the aspect of the risk management framework being assessed.

Review or information requirements could include, for example:

- advice from the senior management group to each quarterly meeting of the Audit, Risk and Improvement Committee providing an overview of the council's risks and controls and whether significant risks have been identified, assessed and responded to appropriately
- annual advice from the senior management group about the implementation of the council's risk management framework - for example, whether it conforms with AS ISO 31000:2018, the risk process has been implemented effectively, there is a positive risk culture, the council's risk register and profile are appropriate, the council's risk management policy and procedures are being complied with, and/or
- an independent strategic review by the internal audit function or an external party at least once each council term (i.e. four years) assessing adequacy of the risk management framework.

The Audit, Risk and Improvement Committee will also be informed by any findings or recommendations made by the council's external auditor in relation to risk management.

The senior management group will be required to develop an action plan for the general manager and the Audit, Risk and Improvement Committee to address any risk management issues identified by the Committee.

## Role of the internal audit function

The council's internal audit function will support the Audit, Risk and Improvement Committee to fulfil its assurance responsibilities through the audit of particular risks, as identified in the internal audit function's work plan. The role of the council's internal audit function in relation to risk management is to be documented in the council's Internal Audit Charter.

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 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, 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
  - impose risk management processes
  - decide or implement risk responses, or
  - be held accountable for risk management activities.

### **(h) The general manager is to publish in the council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements**

---

The general manager will be required to annually publish an attestation statement in the council's annual report indicating whether, during the prior financial year, the council was 'compliant', 'non-compliant' or 'in transition' against each of the above-mentioned requirements of the council's risk management framework.

Compliance status is to be self-assessed based on the results of the senior management group's annual self-assessment. The table on page 84 lists the proposed compliance categories and follow-up action that will be required.

The general manager is to ensure that a copy of the attestation statement and the exception approval from the Chief Executive Officer of the Office of Local Government (if applicable) is published in the council's annual report. A copy of the attestation statement is to also be provided to the Office of Local Government.

The Chair of the Audit, Risk and Improvement Committee is to also sign the attestation statement where he/she agrees that it is a true and accurate reflection of the council's compliance status against statutory requirements.



## **Core requirement 3:**

### **Establish an internal audit function mandated by an Internal Audit Charter**

---

#### **Proposal**

It is proposed that:

- (a) each council (including county council/joint organisation) is to establish an internal audit function
- (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 include this in their employment contract and performance reviews, and
- (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. This Charter is to be approved by the governing body of council after endorsement by the Audit, Risk and Improvement Committee.

#### **Description**

##### **(a) Each council is to establish an internal audit function**

---

Each council in NSW, (including county council/joint organisation), will be required to have an internal audit function that reports functionally to the Audit, Risk and Improvement Committee and is independent from council management.

The definition of internal audit adopted by councils will be the same as that adopted in the IPPF - internal audit is *"an independent, objective, assurance and consulting activity designed to add value and improve [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"*.

It is recognised that each council will have different internal audit requirements depending on its size, needs, budget and complexity of operations. To provide councils greater flexibility, each council will have the freedom to determine the size and scope of their internal audit activities. Councils will also have the flexibility to decide how to deliver their internal audit function. They can either:

- establish a stand-alone internal audit function for their exclusive use
- utilise a joint internal audit function established by their joint or regional organisation of councils that is shared by member councils, or
- share their internal audit function with another council/s in close proximity or of their choosing as part of an independent shared arrangement.

It is recommended that county councils, due to their size, enter into a share arrangement with one of their member councils or utilise an internal audit function established by a joint or regional organisation of councils.

Some of the requirements for shared arrangements will differ from those of stand-alone internal audit functions established for a council's exclusive use (as described in core requirements 1-8). Core requirement 9 outlines the specific requirements of shared arrangements.

Where a council wishes to impose requirements that are additional to the proposed framework, it will be able to do so provided the requirements comply with the IPPF and do not conflict with statutory requirements.

### **(b) The governing body is to ensure that council's internal audit function is sufficiently resourced to carry out its work**

---

The governing body will be required to ensure that the council's internal audit function is sufficiently resourced to effectively carry out its work<sup>59</sup>. This is in line with the governing body's responsibility for the council's budget and other resourcing decisions. To ensure that the governing body makes informed budgeting decisions, the Audit, Risk and Improvement Committee is to advise the governing body of the resources needed.

Where the Audit, Risk and Improvement Committee considers the resourcing provided for internal audit activities is insufficient relative to the risks facing the council, it is to draw this to the attention of the general manager and the governing body of the council. The Chair of the Committee is to also ensure that the Committee's funding recommendations are minuted by the Committee's secretariat.

### **(c) The governing body of the council is to assign administrative responsibility for internal audit to the general manager and include this in their employment contract and performance reviews**

---

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 will be responsible for the **administrative** delivery of council's internal audit function. This means that the general manager will be required to:

- advise the governing body of the funding needed to adequately resource the internal audit function when making final budget decisions
- align the internal audit budget to approved work plans and recommendations made by the Audit, Risk and Improvement Committee
- allocate the funds needed to engage internal audit personnel or external providers with the technology, skills and experience necessary to meet the risk and assurance needs of the council
- provide appropriate administrative support, for example, access to council's human resources networks, payroll, work health and safety, office facilities and resources etc., and
- ensure that the councils internal audit activities are appropriately positioned within the council to work with external audit and internal business units and to operate independently.

The general manager will have no role in the exercise of the internal audit (for example, the conduct of internal audits, development of work plans, audit techniques used, reporting to the governing body and Audit, Risk and Improvement Committee etc.). The general manager's administrative responsibilities in relation to internal audit are to be included in the general manager's employment contract and regular performance reviews to ensure accountability. The Office of Local Government will amend the general manager's standard contract under section 338 of the Local Government Act to reflect this requirement.

<sup>59</sup> The Institute of Internal Auditors has developed the *Audit Intelligence Suite* which can be used to obtain a general picture of the potential resources needed for an internal audit function based on benchmark costs across the corporate and public sectors. For access (cost involved), go to <https://www.theiia.org/centers/aec/Pages/benchmarking.aspx>

**(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. This Charter is to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee**

---

Each council will be required to adopt an 'Internal Audit Charter' to guide how internal audit will be undertaken by that council and measure its effectiveness.

The Internal Audit Charter is to be developed by the council's Chief Audit Executive in consultation with the Audit, Risk and Improvement Committee and approved by the governing body of the council after endorsement by the Committee.

Each council's Internal Audit Charter is to comply, at a minimum, with a Model Internal Audit Charter<sup>60</sup>. This is consistent with councils being required to adopt policies based on other model documents (for example, the Model Code of Conduct and the Model Code of Meeting Practice).

The Model Internal Audit Charter will:

- define the purpose, authority and responsibility of the internal audit function
- establish internal audit's position, role and responsibilities within the council
- describe the importance of the independence of the internal audit function and how this will be maintained
- define the roles and responsibilities of those involved in the council's internal audit activities
- assign responsibility for appointing and dismissing the Chief Audit Executive
- describe how internal audit activities are to be undertaken (i.e. the scope of assessments, writing internal audits and work plans, performing internal audits, communicating results, writing audit reports and monitoring the implementation of corrective actions)
- describe the quality assurance and improvement program
- describe administrative arrangements, HR support and budget provided to support the internal audit function
- define reporting relationships
- define internal audit's relationship with the external auditor, and
- authorise access to internal audit information.

Councils will be able to include additional provisions in their Internal Audit Charter so long as they do not conflict with the Model Internal Audit Charter or the IPPF. This will ensure any matters not contemplated by the Model Charter are addressed by councils in a robust way that complies with internationally recognised standards.

Where the council's Internal Audit Charter contains additional provisions not included in the Model Internal Audit Charter, the Chief Audit Executive is to review the Charter annually as part of the council's internal audit quality assurance and improvement program. A strategic review is to also be undertaken once each council term (i.e. four years).

Changes to the Charter are to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee.

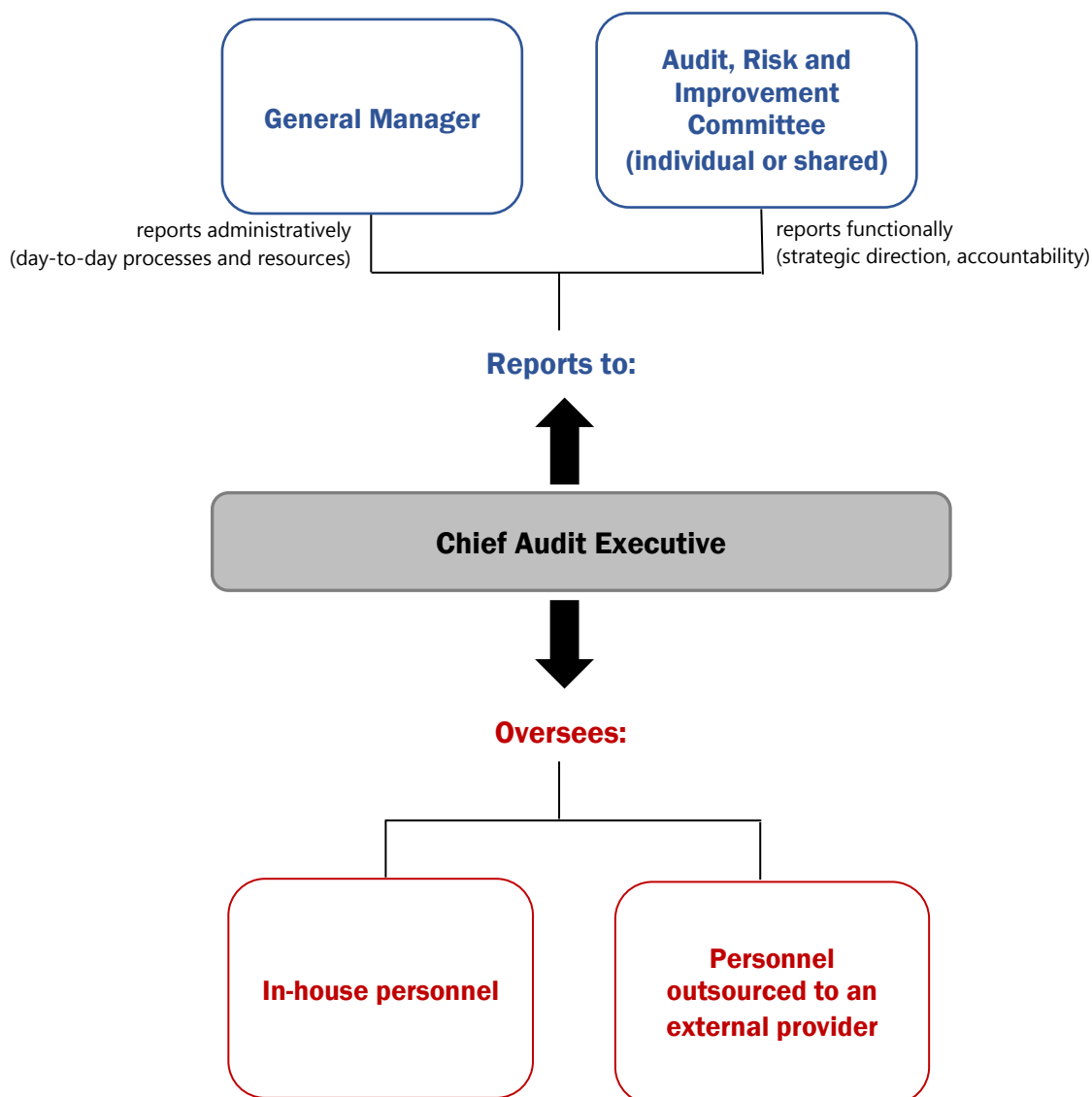
<sup>60</sup> The Model Internal Audit Charter will be drafted by the Office of Local Government in consultation with councils based on the final internal audit framework developed following consultation on this discussion paper

## Core requirement 4: Appoint internal audit personnel and establish reporting lines

### Proposal

It is proposed that 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
- 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, and
- general manager is to ensure that, if required, the 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.



## Description

### (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

---

#### Attributes of the Chief Audit Executive

The general manager, in consultation with the Chair of the Audit, Risk and Improvement Committee, will be required to appoint a Chief Audit Executive to oversee the council's internal audit activities. The term 'Chief Audit Executive' has been used throughout this discussion paper to reflect the terminology used in the IPPF and NSW public sector internal audit model. However, each council is able to describe this role as it chooses, for example, Chief Internal Auditor, Chief Audit Officer etc.

The Chief Audit Executive is to

- be independent, impartial, unbiased and objective when performing their work and free from conflicts of interest. This also means that the Chief Audit Executive cannot undertake internal audit activities on any council operations or services that he/she has held responsibility for within the last five years
- be a council employee and the most senior member of staff in council responsible for internal audit (but not the general manager or council's senior financial officer)
- cannot be outsourced to an external service provider, except where the council has entered into a shared arrangement with another council or as part of their joint or regional organisation of councils
- possess the following skills, knowledge and experience to effectively carry out their role:

#### *Essential*

- the credibility to ensure they are able to negotiate on a reasonably equal footing with the general manager and councillors of the council, as well as the Audit, Risk and Improvement Committee, and
- the skills, knowledge and personal qualities necessary to lead credible and accepted internal audit activities in the council

#### *Preferred*

- high-level experience overseeing internal audit, and
- appropriate professional certifications such as those recognised by the Institute of Internal Auditors (Certified Internal Auditor), Certified Professional Accountants Australia or Chartered Accountants Australia and New Zealand.

This will ensure that the internal audit function of each council is led by someone with the skills, knowledge, experience and integrity needed to establish and effectively oversee a council's internal audit functions. It will also ensure that the council retains control of the internal audit strategic direction and is able to monitor the performance of any external service provider.

#### Oversight

It is important that the Chief Audit Executive has the functional independence to ensure that this role has the freedom necessary to independently assess and report on the way council operates. However, the Chief Audit Executive, as a member of staff under the Local Government Act, must also be appointed by and accountable to the general manager.

As a safeguard, to ensure the functional independence of the Chief Audit Executive, the general manager is to consult with the Chair of the Audit, Risk and Improvement Committee before appointing or dismissing the Chief Audit Executive, or making any change to the Chief Audit Executive's

employment conditions. Where dismissal occurs, the general manager is to report to the governing body advising of the reasons why the Chief Audit Executive was dismissed.

Where the Chair of the Audit, Risk and Improvement Committee has any concerns about the treatment of the Chief Audit Executive, or any action taken that may compromise the Chief Audit Executive's ability to undertake their functions, they must report their concerns to the governing body of the council.

## Responsibilities

The key responsibilities of the Chief Audit Executive include:

- managing the day-to-day direction and performance of the council's internal audit activities to ensure they add value to council
- supporting the operation of the Audit, Risk and Improvement Committee
- ensuring the council's internal audit activities comply with statutory requirements, the IPPF and the council's needs
- developing, implementing and reviewing the council's Internal Audit Charter, policies and procedures, work plans and quality assurance and improvement program
- providing advice to the Audit, Risk and Improvement Committee and governing body of the council on the adequacy and effectiveness of the council's governance frameworks, risk management practices and internal controls
- confirming the implementation by the council of corrective actions that arise from the findings of internal audit activities, and
- managing internal audit personnel and ensuring that they have the skills necessary to perform audits and are up to date on current issues affecting the council and on audit techniques and developments.

Where a council has outsourced its internal audit activities to an external provider, the Chief Audit Executive will be responsible for:

- overseeing the service contract and the quality of audits conducted by the external provider (including overseeing the quality assurance and improvement program)
- ensuring that the council retains control of the strategic direction of internal audit activities
- reporting to the general manager and the governing body of the council on the adequacy and effectiveness of the council's governance frameworks, risk management practices and internal controls (based on the findings provided by the external provider)
- confirming the council's implementation of corrective actions that arise from the findings of audits
- developing policies and procedures that guide the audits conducted by the external provider
- developing the internal audit annual work plan and strategic plan
- ensuring audit methodologies used by the external provider comply with the IPPF and are accessible to the council (subject to any licensing restrictions), and
- supporting the operation of the Audit, Risk and Improvement Committee.

### [Combining Chief Audit Executive with other responsibilities](#)

It is recognised that some smaller rural councils may find it difficult to employ both a stand-alone Chief Audit Officer and stand-alone Risk Management Coordinator due to the cost involved, council's remote location and/or that the council's risk management function and internal audit function may not require full-time stand-alone employees.

Whilst it is not best practice, it is recognised that combining the Chief Audit Officer role with the Risk Management Coordinator role may make it easier for smaller or remote councils to establish their risk management framework and internal audit function.

Councils will, therefore, be able to combine the Chief Audit Officer's role with the Risk Management Coordinator role 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. The endorsement of the Audit, Risk and Improvement Committee will also be required before the combined role can commence.

Depending on the specific needs and circumstances of the council, safeguards could include:

- the Audit, Risk and Improvement Committee being informed of the Chief Audit Executive's dual role, including reporting lines, responsibilities and expectations related to the role
- any potential issues or conflicts of interest arising from the dual role being formally documented in council's Internal Audit Charter
- internal audit briefs being reviewed by the Audit, Risk and Improvement Committee to ensure adequate coverage of the proposed audit, where it concerns any key risks overseen by the Chief Audit Executive in their role as Risk Management Coordinator
- the Audit, Risk and Improvement Committee, or a qualified external party, reviewing internal audit findings and recommendations before they are finalised
- the council's quality assurance program including an external assessment of the Chief Audit Officer's independence and objectivity (for internal audit purposes) in relation to their Risk Management Coordinator role, and
- the Audit, Risk and Improvement Committee regularly assessing that the safeguards put in place are effective.

### **(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**

---

To ensure that internal audit operates independently, the Chief Audit Executive will have a dual reporting line and report:

- **administratively to the general manager** - to facilitate the day-to-day operations of internal audit (for example, in relation to budgeting, accounting, internal audit staff leave and disciplinary matters, internal communications, administration of policies and procedures), and
- **functionally to the Audit, Risk and Improvement Committee** - for the strategic direction, performance and accountability of internal audit activities and personnel.

The general manager must not take any action impacting on the employment of the Chief Audit Executive, including through performance management or disciplinary processes, without consulting with the Chair of the Audit, Risk and Improvement Committee.

The Chief Audit Executive will be required to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities.

### **Access to council staff and information**

To achieve the degree of independence necessary to effectively carry out internal audit activities, the Chief Audit Executive will automatically have direct and unrestricted access to the general manager and senior managers of the council, as well as the Audit Risk and Improvement Committee (through the Chair).

Any council staff member or contractor will also be able to directly alert the Chief Audit Executive of emerging risks or internal audit related issues.

The Chief Audit Executive is to have direct and unrestricted access to all council staff, resources and information necessary for the performance of internal audit activities.

### Reporting concerns about councillors or council staff

Where a Chief Audit Executive has concerns regarding the general manager or senior council staff, they will be able to:

- 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<sup>61</sup>
- report their concerns through the council's internal reporting policy, complaints handling policy or other associated protocols, and/or
- make a public interest disclosure under the *Public Interest Disclosures Act 1994* to the:
  - Independent Commission Against Corruption (concerning corrupt conduct)<sup>62</sup>
  - 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).

### Code of Conduct

The Chief Audit Executive is to comply with the council's Code of Conduct, as well as the Code of Ethics in the IPPF.

Breaches of the council's Code of Conduct by the Chief Audit Executive are to be reported in writing to the general manager of the council in the first instance. The general manager should notify the Chair of the Audit, Risk and Improvement Committee of any such allegations and their outcome.

### **(c) The general manager is to ensure that, if required, the council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel or to completely or partially outsource their internal audit function to an external provider**

---

Regardless of size, each council will be required to have an appropriately resourced internal audit function when section 428A of the Local Government Act commences.

For some councils with larger budgets and higher risks, this will require dedicated internal audit staff to support the Chief Audit Executive to deliver the internal audit function. For other councils, their size and risk profile may not justify additional internal audit staff and the Chief Audit Executive will be sufficient.

For councils that require additional internal audit personnel, options include having a dedicated in-house team, co-sourcing arrangements, or outsourcing their audits to an external provider.

<sup>61</sup> As required by the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*

<sup>62</sup> Under section 11 of the *Independent Commission Against Corruption Act 1988*, the Chief Audit Executive must report any suspected corrupt activity to the Independent Commission Against Corruption



In determining the most appropriate option for the delivering the council's internal audit function, the general manager should consider 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's operations
- council's integrated planning and reporting framework
- the viability of alternative service delivery models (for example, whether council could attract and retain suitable in-house internal audit staff or experienced contract managers for out-sourced service delivery)
- overall cost of alternative service delivery models, including the salaries and overheads of in-house internal audit personnel compared to the costs of contract management and delivery for out-sourced services, and
- capacity of alternative service delivery models to deliver flexibility in the internal audit work plan.

Whichever model a council chooses, the internal audit function, including the appointment of internal audit personnel, is to be overseen by the Chief Audit Executive.

The Chief Audit Executive must be a council employee and cannot be outsourced, other than through a shared arrangement with another council or through a joint or regional organisation of councils.

### **Employing in-house internal audit personnel**

Internal audit personnel report directly to the Chief Audit Executive.

In-house internal audit personnel can be appointed on a full-time or part-time basis. They will be required to comply with the council's Code of Conduct and the Code of Ethics in the IPPF and are to have no executive, managerial or operational powers, authorities, functions or duties except those relating to internal audit. They also cannot have any responsibility for managing any risks or implementing any audit recommendations, including those made by external audit.

Position descriptions for in-house internal audit staff are to require:

- appropriate qualifications
- proficiency in internal audit and accounting principles and techniques (particularly if working extensively with financial information and reports)
- knowledge of economics, management practices, commercial law, taxation, finance, quantitative methods, fraud and internal audit technology, and
- effective interpersonal and communication skills.

### **Outsourcing internal audits to an external provider**

Providing that independence requirements are adhered to, councils can contract their internal audit function to an external internal audit service provider. Examples of providers include private sector accounting firms with a specialist internal audit division, boutique firms that specialise in internal audit, and internal audit contractors.

The advantages of using external providers for internal audit activities include<sup>63</sup>:

- flexibility
- access to a wide range of expertise
- the ability to access the service as and when required, and
- the ability to pool resources with other councils to purchase external services as part of a shared arrangement.

Disadvantages include loss of corporate knowledge, lack of proximity and possible increased costs.

If a council chooses to outsource its internal audits, the Chief Audit Executive is to be the contract manager of the service and is to ensure that:

- an appropriately qualified external provider is conducting the audit in compliance with relevant standards
- the performance of the external provider is actively monitored, and
- the external provider:
  - does not undertake audit work regarding operations or services they have been responsible for, or consulted on, within the last two years
  - is not the same auditor providing council's external audit services
  - is not the auditor of any contractors of the council (and therefore subject to council's internal audits)
  - does not undertake other contract work for the council in addition to internal audit
  - has authority to implement the work program approved by the Audit, Risk and Improvement Committee
  - is rotated, or some other method is established, to address risks caused from having the same auditors auditing the same unit/functional area over a prolonged period of time, and
  - uses audit methodologies that comply with the IPPF and are accessible to the council (subject to any licensing restrictions that may be in place).

<sup>63</sup> *Internal Audit in Australia* published by The Institute of Internal Auditors - Australia (2016) provides a useful comparison of the advantages and disadvantages of different internal audit function delivery models (page 23 onwards).

## Core requirement 5: Develop an agreed internal audit work program

---

### Proposal

It is proposed that, for each council, the Chief Audit Executive will:

- (a) 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
- (b) develop an annual risk-based internal audit work plan, based on the strategic plan, to guide the 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, and
- (c) ensure performance against the annual and strategic plans can be assessed.

### Description

#### **(a) The Chief Audit Executive is to develop a four-year strategic plan to guide the council's longer-term 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**

---

The Chief Audit Executive will be required to develop a strategic plan every four years based on the council's risk profile to ensure that areas or activities with higher risks are audited over the longer term and that no higher risk area or activity is forgotten. This should align with the council's integrated planning and reporting framework and timetable.

The four-year strategic plan is to be developed in consultation with the Audit, Risk and Improvement Committee, governing body, general manager and senior managers. Final approval is to be given by the Committee.

The purpose of the plan is to decide and outline what council areas or activities will be covered in any given year, and if the area/activity is not covered in a given year, when it will be scheduled for review during the four-year period. It is to include:

- a description of the goals/objectives of internal audit
- key organisational issues and risks faced by the council, in order of priority, and
- which council areas will be audited over the four years, prioritised according to risk.

The Chief Audit Executive is to review and update the four-year strategic plan at least annually to ensure that it still 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.

**(b) The Chief Audit Executive is to develop an annual risk-based internal audit work plan, based on the strategic plan, to guide the council's audits each year in consultation with the governing body, general manager and senior managers. The work plan is to be approved by the Audit, Risk and Improvement Committee**

---

The Chief Audit Executive will be required to develop an annual risk-based work plan for the council's internal audits based on:

- the priorities set by the council's four-year internal audit strategic plan
- the council's strategic goals and objectives, developed through the integrated planning and reporting framework
- the information obtained as part of the council's risk assessment process and the council's material risks
- any findings or risks raised by the NSW Auditor-General in its external audits of the council and sector-wide performance audits
- external factors such as industry trends or emerging issues, and
- any special requirements of the Audit, Risk and Improvement Committee.

The annual work plan is to be developed in consultation with the Audit, Risk and Improvement Committee, governing body, general manager, and senior managers. Final approval is to be given by the Committee.

The annual work plan is to identify:

- the key risks facing the council
- the key goals and objectives of the proposed audits
- the audits that will be carried out during the year and rationale for selecting each, having regard to areas of most significant risk to achieving the council's strategic objectives
- the resources needed for each audit (for example, staffing, budget, technology), including any external expertise needed
- the timing and duration of each audit
- the performance measures that will be used to measure against goals and objectives (described below)
- any areas not included in the work plan, which in the opinion of the Chief Audit Executive, should be reviewed, and
- quality assurance activities (where applicable).

The annual work plan is to be flexible enough to allow the Chief Audit Executive to review and adjust it as necessary in response to any changes to the council's risks or operations. Significant changes are to be approved by the Audit, Risk and Improvement Committee.

### **(c) The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed**

---

To establish the quality assurance and improvement program and to collect the data and information required to review the council's internal audit activities:

- the Chief Audit Executive will need to ensure internal audit work plans have performance indicators that can be measured against goals and objectives<sup>64</sup>, and
- the general manager will need to ensure that a data collection or performance management system is established and maintained to collect the data needed to measure the impact of the internal audit function.

Performance indicators are to be set annually by the Audit, Risk and Improvement Committee, in consultation with the Chief Audit Executive and the general manager of the council.

<sup>64</sup> *Internal Audit in Australia* published by The Institute of Internal Auditors - Australia (2016) lists a range of examples of performance indicators that councils could consider when selecting their performance indicators

## Core requirement 6: How to perform and report internal audits

---

### Proposal

It is proposed that:

- (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
- (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
- (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, and
- (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).

### Description

#### **(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**

---

Each council's internal audits are to be performed in accordance with statutory requirements, and the IPPF (only where the IPPF does not conflict with statutory requirements).

The internal audit methodologies used (that is, the tools or techniques used by internal auditors to conduct internal audits and analyse the information or data obtained) are also to 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 consistent with current Australian risk management standards. This means the Chief Audit Executive is responsible for ensuring that any risk information used in internal audits or any risk ratings given to internal audit findings and recommendations (for example, the risk of not implementing a recommendation) must be developed and assigned in a way that complies with AS ISO 31000:2018 and is consistent with council's risk management framework.

#### **Performing internal audits**

The Chief Audit Executive will be responsible for approving the project plan for each internal audit, supervising how each internal audit is conducted, and for any significant judgements made throughout each internal audit (including those performed by an external provider).

Each audit undertaken is to consist of following steps:

- **planning the internal audit** – which includes:
  - preliminary research
  - defining the audit’s scope and criteria
  - defining the audit’s objectives
  - timing
  - audit budget, and
  - information needed to perform the audit (for example, access to people, documents, systems)
- **performing the internal audit** – is to consider:
  - the objectives and purpose of the activity being reviewed
  - any risks to these objectives and the effectiveness of existing controls
  - opportunities to improve the efficiency and effectiveness of the activity, how risks are managed and council’s performance more broadly
- **documenting and reporting the internal audit** - which includes:
  - documenting the evidence collected and analysed
  - producing working papers to support the findings and recommendations made
  - writing an audit report, and
  - discussing internal audit results with relevant staff and management.

It is best practice that each internal audit report is to be appropriately supervised and approved by a person not conducting the audit to ensure its findings and recommendations are accurate. Larger councils that employ or contract more than one internal auditor are encouraged to embed this practice into their audit process.

### **(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**

---

The Chief Audit Executive is to ensure that the council develops and maintains policies and procedures to guide the operation of the internal audit function and the performance of internal audits. These policies and procedures should address:

- the structure, resourcing and professional development of the internal audit function
- strategic and annual audit planning
- audit methodology
- audit reports
- ongoing monitoring and reporting
- conducting internal audits and the quality assurance and improvement program
- resolving differences in professional opinion/judgements regarding internal audits
- communication between the governing body of the council, Audit, Risk and Improvement Committee, general manager, Chief Audit Executive and council staff - particularly of non-compliance or sensitive information, and
- information management including document retention, security and access to audit reports.

The Audit, Risk and Improvement Committee is to review and provide advice to the general manager of the council on all internal audit policies and procedures before they are finalised.

Where the internal audit function is outsourced, the Chief Audit Executive will be required to ensure that the external provider is consulted in the development and/or maintenance of internal audit policies and procedures.

**(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**

---

The Chief Audit Executive will be required to report the findings and recommendations of internal audits to the Audit, Risk and Improvement Committee at the end of each audit.

Each internal audit report written must include:

- 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:
  - are risk-rated (that is, clearly show the severity of risks identified by the audit, focus management attention on high risks that need prompt attention and allow resources to be first applied to high risks rather than low risks), and
  - have been agreed to by the general manager and responsible senior managers of the council.

The Chief Audit Executive will be responsible for ensuring that each internal audit report (or supporting working papers) contains sufficient information that would enable another internal or external auditor to reach the same conclusions.

A copy of each internal audit report is to be provided to the Audit, Risk and Improvement Committee at the Committee's next quarterly meeting, or distributed out-of-session before the next meeting.

**The council's response to internal audit report recommendations**

The Chief Audit Executive is to 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 general manager will have a maximum of ten working days 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 must discuss their position with the Chief Audit Executive 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 will be 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 Chief Audit Executive is provided regular updates, or as otherwise reasonably requested by the Chief Audit Executive, 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 in the committee's quarterly report to the governing body.

**(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 the governing body of the council (by resolution)**

The Chief Audit Executive will be responsible for ensuring internal audit information (in whatever form) is documented, retained and controlled in accordance with the council's policies and any legislative or IPPF requirements. Internal audit documentation includes any information or documents produced or obtained by council's internal audit function that relates to the internal audit activities of the council.

All audit documentation is to remain the property of the audited council and can be accessed by the audited council, the Audit, Risk and Improvement Committee and the external auditor. This includes where the internal audits are performed by an external provider. Authorised access to internal audit documents must be outlined in council's Internal Audit Charter.

The governing body can also request access to internal audit information via a resolution of the council. The Audit, Risk and Improvement Committee is to decide the governing body's request. Any disputes between the governing body and the committee are to be referred to the Office of Local Government for resolution.

Apart from external audit purposes, it is envisaged that internal audit reports will be for internal council use only, subject to the requirements of the *Government Information (Public Access) Act 2009*. Approval must be obtained from Chief Audit Executive or Audit, Risk and Improvement Committee before internal audit reports are provided to any other person or external party.

The Chief Audit Executive or the Audit, Risk and Improvement Committee must obtain approval from the general manager prior to releasing any internal audit documents to external parties.

The general manager's approval is not required where the information is being provided to an external oversight or investigative such as, but not limited to, the Office of Local Government, the Audit Office, the Independent Commission Against Corruption or the NSW Ombudsman, for the purposes of informing that agency of a matter that may warrant its attention.

## **Core requirement 7:** **Undertake ongoing monitoring and reporting**

---

### **Proposal**

It is proposed that an ongoing monitoring and reporting system be established where the:

- (a) Audit, Risk and Improvement Committee is advised at each quarterly meeting of the internal audits undertaken and progress made implementing corrective actions
- (b) governing body of the council is advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions, and
- (c) Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair.

### **Description**

#### **(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**

---

Ongoing monitoring and reporting to the Audit, Risk and Improvement Committee is essential to ensure that any emerging problems are identified and rectified quickly before their consequences escalate, especially in relation to material risks. It will also ensure that a clear message is sent that these matters are important and are being reviewed at the most senior levels in council.

To ensure this occurs, the Chief Audit Executive is to establish and maintain an ongoing monitoring system to track the internal audits undertaken within the council and follow-up the council's progress in implementing corrective actions. For smaller councils, this could simply be in a table or spreadsheet format.

The Chief Audit Executive is to ensure that the Audit, Risk and Improvement Committee is advised at each of the Committee's quarterly meetings of

- the number of internal audits completed during that quarter, including providing copies of the audit reports and advice on their findings
- progress in implementing the annual work plan
- progress made implementing corrective actions arising from any past internal audits, and
- any concerns the Chief Audit Executive may have.

The way this information is communicated is to be decided by the Audit, Risk and Improvement Committee in consultation with the Chief Audit Executive.

**(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**

---

Ongoing monitoring and reporting by the Audit, Risk and Improvement Committee to the governing body of the council is essential for accountability. It will also ensure that the governing body is kept abreast of the internal audits conducted and any emerging issues that may influence the strategic direction of the council or the achievement of the council's goals and objectives.

The governing body of the council is to be advised of the internal audits undertaken and progress made implementing corrective actions and any significant or emerging risk issues after each quarterly meeting of the Audit, Risk and Improvement Committee.

The governing body and the Audit, Risk and Improvement Committee is to decide how the Committee's advice is to be communicated. Options include providing the governing body with:

- a formal monitoring report from the Committee – this report would be for information only and a decision at the council meeting would not be required
- copies of the minutes of the Audit, Risk and Improvement Committee's meeting, or
- where appropriate, copies of the relevant agenda papers considered by the Committee at its quarterly meeting.

**(c) The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair**

---

Where the Audit, Risk and Improvement Committee is concerned about the progress of implementing corrective actions, or an internal audit-related issue arises, the Committee will be able to provide an additional report to the governing body of the council. This will ensure that the governing body is fully aware of the risks posed to the council.

The Chair of the Audit, Risk and Improvement Committee can also request at any time a meeting with the governing body of the council to discuss an internal audit-related issue.

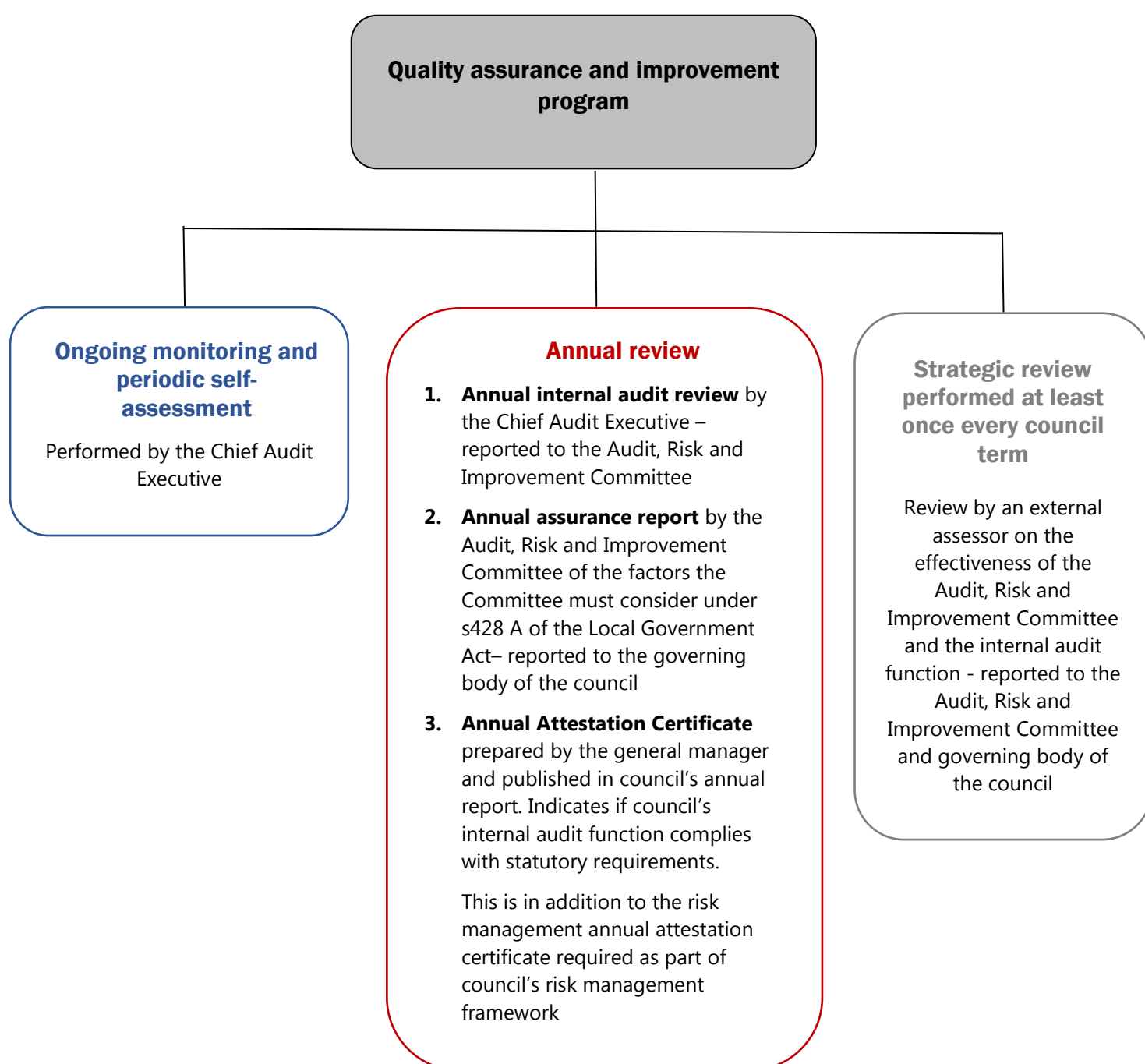
Similarly, the governing body of the council can request by resolution at any time to meet with the Chair of the Audit, Risk and Improvement Committee regarding an internal audit-related issue.

## Core requirement 8: Establish a quality assurance and improvement program

### Proposal

It is proposed that:

- (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 every council term, and
- (b) the general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function.



## Description

### (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

---

The Chief Audit Executive is to ensure that there is a documented and operational quality assurance and improvement program for assurance activities that is reported to the governing body of the council. The quality assurance and improvement program is to consist of three key elements:

1. **Ongoing monitoring and periodic self-assessments** by the Chief Audit Executive
2. **An annual review** at the end of each financial year by the:
  - Chief Audit Executive on the performance of the internal audit function for the Audit, Risk and Improvement Committee, and
  - Audit, Risk and Improvement Committee on its responsibilities under section 428A of the Local Government Act for the governing body of the council,
3. **A strategic external review at least once every council term** (i.e. four years) by an external party which is reported to the Audit, Risk and Improvement Committee and the governing body of the council.

These are described in greater detail below.

#### Ongoing monitoring and periodic self-assessments

The Chief Audit Executive is to undertake ongoing monitoring and periodic self-assessments of the internal audit function throughout the year to validate that it is operating effectively and delivering quality and value.

Monitoring and self-assessments could consider, for example:

- compliance with regulatory requirements and the IPPF
- the quality and supervision of audit work performed
- standardised work practices
- communication practices
- timeliness of audit activities
- any professional development or training required
- client satisfaction and the degree to which stakeholder expectations are being met
- the adequacy of internal audit policies
- progress towards key performance indicators, and
- any weaknesses or areas that need improvement.

The Chief Audit Executive is to implement any changes necessary to address deficiencies identified through ongoing monitoring and periodic self-assessment.

#### Annual performance review

The annual review (performed at the end of each financial year) is to assess the assurance activities that occurred over the preceding financial year. It is to consist of the following two elements, which together will ensure that the council's assurance activities are comprehensively assessed and any issues identified.

**1. An annual internal audit review by the Chief Audit Executive for the Audit, Risk and Improvement Committee** which assesses:

- how effectively council has implemented the internal audit function (for example, that findings are communicated and implemented appropriately, resourcing is sufficient, the Internal Audit Charter remains appropriate etc.)
- how the internal audit function has performed against the annual work plan and performance targets, and
- how the internal audit function and activities comply with statutory requirements and the IPPF and
- the independence of the internal audit function.

This will ensure that the Audit, Risk and Improvement Committee receives the Chief Audit Executive's advice on the effectiveness of the internal audit function each year. It will also enable the general manager to complete the council's annual attestation certificate (see below).

**2. An annual assurance review by the Audit, Risk and Improvement Committee for the governing body of the council** which includes:

- a summary of the work the Committee performed to discharge its responsibilities during the preceding year
- advice on the appropriateness of the Committee's terms of reference (where they contain additional clauses that are not included in the Model Terms of Reference)
- an overall assessment of the following aspects of the council's operations in accordance with section 428A of the Local Government Act:
  - 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, and
  - any other matters prescribed by the regulation (i.e. internal audit), and
- information to help the council improve the performance of its functions.

This will ensure that the governing body of council receives the Audit, Risk and Improvement Committee's independent assurance about these matters in accordance with legislative requirements each year. This will support the governing body in the exercise of its oversight role under the Local Government Act.

The general manager and senior managers are to be advised of the findings and outcomes of the annual review and the Chief Audit Executive is to develop an action plan for the Audit, Risk and Improvement Committee, governing body of the council and general manager to address any issues identified in the annual review.

### **Strategic external review**

An external assessment of council's assurance activities is to be conducted at least once every council term (i.e. four years) by a qualified, independent assessor according to the IPPF quality assessment framework. Requiring compliance with the IPPF will ensure that each council can have confidence in the findings and that councils are assessed consistently across the sector.

The strategic review is to be commissioned by the governing body of the council and reported to the Audit, Risk and Improvement Committee, governing body and the general manager. The Chief Audit Executive is to develop an action plan for the Committee, governing body of the council and general manager to address any issues identified in the external review.

The external review is to include the following two components:

- **the effectiveness of the Audit, Risk and Improvement Committee**, including:
  - whether the Committee has fulfilled its terms of reference
  - the appropriateness of the Committee's terms of reference (where the Committee's terms of reference contain additional provisions not contained in the Model Terms of Reference)
  - the performance of Committee members
  - 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, and
  - whether the Committee has contributed to the improvement of the factors identified in section 428A of the Local Government Act.

The external review is to address the collective performance of the Audit, Risk and Improvement Committee and the individual performance of each member and the Chair. The review is to consider feedback on each member's performance by the Chair of the Committee, mayor and general manager.

This component of the four-yearly external review will provide accountability and ensure that the governing body of the council can assess how the Audit, Risk and Improvement Committee is functioning and whether any changes to the Committee's terms of reference or membership are required.

In considering the outcomes of the external strategic review, the governing body of the council will be able to request the Chair of the Committee to address the council and answer any questions about the operation of the Committee.

- **the effectiveness of the internal audit function**, including:
  - the independence of the internal audit function
  - whether resourcing is sufficient
  - whether the internal audit function complies with statutory requirements and the IPPF
  - the appropriateness of annual work plans and strategic plans based on the risks facing the council
  - whether the internal audit function adds value and delivers outcomes for the council, and
  - the appropriateness of the Internal Audit Charter (where it includes additional provisions not contained in the Model Internal Audit Charter).

This component of the strategic external review will ensure that the governing body of the council is able to assess whether the internal audit function is effective and adding value to the council and whether any changes are required. The governing body of the council will be able to request the Chair of the Audit, Risk and Improvement Committee and/or the Chief Audit Executive to address the council and answer any questions about the internal audit function.

## External assessor

The governing body will be able to commission the strategic external review by either engaging an external assessor to undertake the assessment, or by undertaking a self-assessment and engaging a qualified external reviewer to conduct an independent evaluation of that self-assessment.

The external assessor must have, at a minimum:

- no real or perceived conflicts of interest
- certification as an internal auditor
- knowledge of internal audit and external assessment practices, and
- sufficient recent experience in internal audit at a management level which demonstrates a working knowledge of statutory requirements and the IPPF.

The strategic review report is to outline the qualifications of the assessor and any potential conflicts of interest.

**(b) The general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and internal audit function**

---

The general manager will be required to annually publish an attestation statement in the council's annual report indicating whether, during the prior financial year, the council was 'compliant', 'non-compliant' or 'in transition' against each of the core requirements of the Audit, Risk and Improvement Committee and council's internal audit framework. The certificate can be combined with the risk management attestation certificate required as part of the council's risk management framework.

Compliance status is to be self-assessed based on the results of the annual performance review. The following table lists the proposed compliance categories and follow-up action that will be required.

Councils that are 'non-compliant' can apply to the Chief Executive Officer of the Office of Local Government for an exemption from statutory requirements. The Chief Executive Officer will be able to grant exemptions to any or all statutory requirements and will be able to impose conditions on the exemption given.

An exemption will only be granted where:

- a council cannot comply because of temporary extenuating circumstances, substantial structural constraints or resourcing constraints that will materially impact the council's operating budget
- the council is not able to enter into a shared arrangement with another council/s in order to comply (for internal audit only), and
- current or proposed alternative arrangements will achieve outcomes equivalent to the requirements.

The maximum period an exemption can apply will be 24 months (two reporting periods). Any further exemption must be reapplied for.

The council's application for an exemption must:

- be in writing
- be made prior to the reporting period in which full compliance with statutory requirements cannot be achieved or as soon as circumstances arise during the reporting period that will make full compliance throughout the reporting period impossible
- provide the reasons why the council cannot comply with statutory requirements, and
- describe and demonstrate the council's efforts to implement alternative arrangements and how these will achieve an outcome equivalent to the requirements.



The general manager is to ensure that a copy of the attestation statement and the exception approval from the Chief Executive Officer of the Office of Local Government (if applicable) is published in the council's annual report. A copy of the attestation statement is to also be provided to the Office of Local Government.

The Chair of the Audit, Risk and Improvement Committee is to also sign the attestation statement where they agree that it is a true and accurate reflection of the council's compliance status against statutory requirements.

## Proposed compliance status for attestation certificates

Definition	Further requirements
<b>COMPLIANT</b>	
The council is 'compliant' if it has implemented and maintained practices consistent with statutory requirements for the whole of the financial year	The council is to provide a copy of its attestation statement to the Office of Local Government and publish the attestation certificate in the council's annual report.
<b>NON-COMPLIANT</b>	
<p>The council is 'non-compliant' if:</p> <ul style="list-style-type: none"> <li>• it has not implemented and maintained a risk management framework or internal audit practices consistent with statutory requirements for the whole of the financial year, or</li> <li>• the council's Audit, Risk and Improvement Committee and internal audit function has been in place for more than five years but has not been externally assessed (for internal audit only)</li> </ul>	<p>The general manager will be required to apply to the Chief Executive Officer of the Office of Local Government for an exemption from statutory requirements</p> <p>The council's application for an exemption must:</p> <ul style="list-style-type: none"> <li>• be in writing</li> <li>• be made prior to the reporting period in which full compliance with statutory requirements cannot be achieved or as soon as circumstances arise during the reporting period that will make full compliance throughout the reporting period impossible</li> <li>• provide the reasons why the council cannot comply with statutory requirements, and</li> <li>• describe and demonstrate the council's efforts to implement alternative arrangements and how these will achieve an outcome equivalent to the requirements.</li> </ul> <p>The general manager must ensure a copy of the attestation statement and the Chief Executive Officer's exemption approval (if applicable) is published in the council's annual report. A copy of the council's attestation statement is also to be sent to the Office of Local Government.</p> <p>The council will also have to explain on the attestation statement why it is not compliant and if it has received an exemption from the Chief Executive Officer.</p>
<b>IN TRANSITION</b>	
<p>The council is 'in transition' if it is transitioning its operations to the statutory requirements during the financial year because:</p> <ul style="list-style-type: none"> <li>• it is a newly constituted council established after the risk management and internal audit requirements of the Local Government Act and Regulation came into force (a two-year transition period will be granted in this instance), or</li> <li>• the requirements that are not complied with have been newly prescribed within the last two years and the council is in the process of implementing them.</li> </ul>	<p>Councils taking advantage of the transitional arrangements will not be required to apply for approval from the Chief Executive Officer of the Office of Local Government. However, councils must be actively taking steps during the two-year (for internal audit) and five-year (for risk management) transitional period to commence implementation and detail how the council plans to achieve compliance within this period.</p> <p>The council is to provide a copy of its attestation statement to the Office of Local Government.</p>

## Core requirement 9: Councils can establish shared internal audit arrangements

---

### Proposal

It is proposed that:

- (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
- (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, and
- (c) the general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements.

### Description

#### **(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**

---

Councils that do not want to establish a stand-alone internal audit function will be able to:

- share all or part of their internal audit function with another council/s of their choosing as part of an independent shared arrangement, or
- utilise a joint internal audit function established by their joint or regional organisation of councils that is shared with other member councils.

These options will:

- assist smaller councils to implement their internal audit function in a more cost-effective way where:
  - a full-time committee, Chief Audit Executive or internal audit function is not necessary
  - the council's risk profile does not warrant stand-alone arrangements, and/or
  - the cost of having a stand-alone arrangements will significantly and unacceptably impact the council's operating budget
- assist councils in remote locations that may find it difficult to employ or appoint the suitably qualified personnel that are necessary to support a stand-alone internal audit function
- allow councils to access a larger resource pool than would be available to a single council
- create efficiencies through common systems, shared knowledge and internal audit tools, and
- potentially lower audit costs.

When deciding the most appropriate way to establish a council's internal audit function, the general manager should consider the viability and capacity of a shared Audit, Risk and Improvement Committee, Chief Audit Executive or internal audit function to meet their responsibilities 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's operations
- expectations of stakeholders, and
- likely demands placed on the committee, Chief Audit Executive or internal audit function by other councils in the shared arrangement.

A shared arrangement should only be established where the shared internal audit function can maintain a high level of understanding and oversight of each council's operations and internal audit function, as well as effective working and reporting relationships with the general manager and governing bodies of each council.

### **(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**

---

The majority of the core requirements outlined in this discussion paper that apply to stand-alone internal audit functions will also apply to shared internal audit arrangements.

This means that any shared internal audit function must operate as an individual resource for each council that meets each council's unique internal audit needs. In terms of roles and responsibilities:

- the **Audit, Risk and Improvement Committee** is to operate as an individual committee for each council in any shared arrangement<sup>65</sup>. This includes the committee:
  - providing independent assurance and oversight for each council
  - endorsing each council's Internal Audit Charter, annual work plan and four-year strategic plan
  - holding individual meetings for each council that are separately minuted<sup>66</sup> and observers being invited to only attend that part of the committee meeting that relates to their council
  - liaising with the respective governing bodies and general managers of each council in relation to that council's internal audit issues
  - approving individual performance indicators for each council based on that council's needs and operations
  - fulfilling the requirements of each council's quality assurance and improvement program and conducting a separate annual review for each individual council based on that council's internal audit activities which is reported to the governing body of that council
  - maintaining separate and confidential information for each council
- the **Chief Audit Executive** (who may be employed by one of the participating councils or by a joint or regional organisation of councils) is to work separately with each council in any shared arrangement to implement the internal audit function for that council. This includes the Chief Audit Executive:
  - liaising with the governing body and general manager of each separate council about that council's internal audit activities
  - individually developing and implementing the annual work plan and four-year strategic plan for each council, based on each council's individual requirements and in consultation with that council's general manager
  - developing and maintaining internal audit policies and procedures for each council based on that council's needs and operations

<sup>65</sup> Under the NSW Government's prequalification scheme, membership on any shared Audit, Risk and Improvement Committee will count as one towards the limit of five memberships allowed for a committee member

<sup>66</sup> Individual meetings for each council can be held sequentially but joint or shared meetings discussing multiple councils must not be held (apart from common agenda items, for example, the Audit, Risk and Improvement Committee's terms of reference, Internal Audit Charter etc.)

- conducting the individual audits of each council
- confirming the implementation by the council of corrective actions that arise from the findings on internal audit activities
- submitting to each respective council an individual report after each internal audit and liaising with the general manager of each respective council (and governing body where necessary) on that council's internal audit issues
- managing any contractual arrangements for externally provided internal audit personnel on behalf of each council in the shared arrangement
- fulfilling the requirements of each council's quality assurance and improvement program and conducting a separate annual review for each individual council based on that council's internal audit activities which is reported separately to the Audit, Risk and Improvement Committee
- attending the Audit, Risk and Improvement Committee meetings of each respective council on behalf of that council
- maintaining separate and confidential information for each council
- providing independent assurance and oversight for each council, and
- **internal audit personnel** (who may be employed by one of the participating councils or by a joint or regional organisation of councils or supplied through an external provider) are to operate as an individual internal auditor/internal audit team for each council in any shared arrangement. This includes internal audit personnel conducting the individual internal audits of each council.

Given there are multiple councils and therefore multiple decision-making bodies involved, shared arrangements will have a number of unique requirements that will be different to those that apply to a stand-alone internal audit function. These are described below.

## Unique requirements for independent shared arrangements

### Decision-making body

The governing body and general manager of a council are the key decision-makers in a council in relation to internal audit. However, given that any shared arrangement will have more than one governing body and general manager, decision-making in relation to a shared internal audit function is likely to be administratively complex.

To simplify and streamline decision making, councils in an independent shared arrangement will be required to establish a committee comprising of councillors from each of the participating councils under section 355 of the Local Government Act. This committee will make the following decisions (where applicable) about the Audit, Risk and Improvement Committee, Chief Audit Executive or internal audit function that would otherwise be made by the governing body of each council, and each council will be required to delegate these decisions to the committee:

- approving the Internal Audit Charter (after endorsement by the Audit, Risk and Improvement Committee), so it can then be adopted by each individual council
- determining the size of the shared Audit, Risk and Improvement Committee
- appointing and dismissing members and the Chair of the shared Audit, Risk and Improvement Committee
- approving the terms of reference of the Audit, Risk and Improvement Committee (after endorsement by the Committee), so it can then be adopted by each individual council, and
- approving internal audit policies and procedures (in consultation with the Audit, Risk and Improvement Committee and the general managers of each participating council), so they can then be adopted and implemented by each individual council.

Where an Audit, Risk and Improvement Committee is shared, each council in the shared arrangement will still be required to adopt and implement their own Internal Audit Charter, terms of reference for the Audit, Risk and Improvement Committee, and internal audit policies and procedures.

Committee members will be required to consult with other members of the governing body of their council on any decisions made. All other functions assigned to the governing body of a council in core requirements 1-8 will remain with each individual council.

#### Auspicing body

Where the Chief Audit Executive and other internal audit personnel are shared by councils, these positions must be employed by one of the participating councils in the shared arrangement and located together to work effectively. The Chief Audit Executive must also report administratively to the general manager of the council that employs them.

This will create greater administrative efficiency by reducing reporting and communication lines. It will also ensure that:

- the Chief Audit Executive reports administratively to one general manager on behalf of all councils in the independent shared arrangement
- the Chief Audit Executive, in-house internal audit staff and secretariat staff will be employees of, and located at the auspicing council and have access to necessary administrative and HR support, and
- the Chief Audit Executive and internal audit staff will be subject to the Code of Conduct of the auspicing council.

Administrative responsibility and oversight of the shared internal audit function should be exercised by an administrative oversight committee comprising of all general managers of the participating councils.

The administrative oversight committee will have the following responsibilities in relation to the Audit, Risk and Improvement Committee:

- ensuring adequate procedures are in place to protect the independence of the Audit, Risk and Improvement Committee
- overseeing arrangements for secretariat support for the Audit, Risk and Improvement Committee, and
- receiving written declarations from members that they do not have conflicts of interest that may preclude them from serving on the Audit, Risk and Improvement Committee.

The administrative oversight committee will also have the following responsibilities in relation to the Chief Audit Executive and internal audit staff:

- recommending the appointment and dismissal of the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee and governing bodies of each council) – the ultimate decision will be made by the employing general manager, and
- recommending any changes impacting the employment of the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee) – the ultimate decision will be made by the employing general manager.

Allegations of breaches of the auspicing council's Code of Conduct by the Chief Audit Executive or internal audit staff are to be dealt with by the auspicing general manager, in consultation with the other general managers.

The general managers of each council will be required to attend the Audit, Risk and Improvement Committee meetings related to their council and to undertake all other functions in relation to internal audit referred to general managers in core requirements 1-8.

## Unique requirements for joint/regional organisation shared arrangements

### Decision-making body

The member councils of a joint or regional organisation are to delegate their decision making authority in relation to internal audit under section 377 of the Local Government Act to the Board of their joint or regional organisation of councils. The Board will make the decisions that would have otherwise been made by the governing body of each council. This includes:

- adopting the Internal Audit Charter on behalf of each member council (after endorsement by the Audit Risk and Improvement Committee)
- appointing and dismissing members and the Chair of the shared Audit, Risk and Improvement Committee
- adopting the terms of reference of the Audit, Risk and Improvement Committee on behalf of each member council (after endorsement by the Audit, Risk and Improvement Committee), and
- adopting internal audit policies and procedures on behalf of each member council (in consultation with the Audit, Risk and Improvement Committee and the general managers of each participating council).

All other functions assigned to the governing body of a council in core requirements 1-8 will remain with each individual council.

### Auspicing body

The shared internal audit function is to be undertaken on behalf of member councils by the joint or regional organisation of councils. This will mean that:

- the Chief Audit Executive will report administratively to the executive officer of the joint/regional organisation
- the Chief Audit Executive, in-house internal audit staff and secretariat staff will be employees of the joint or regional organisation. The Chief Audit Executive and in-house internal audit staff may be located at the joint or regional organisation or at one of the member councils and have access to necessary administrative and HR support supplied through the joint or regional organisation or council, and
- the Chief Audit Executive and internal audit staff will be required to comply with the Code of Conduct of the joint or regional organisation<sup>67</sup>.

The executive officer of the joint/regional organisation will also, on behalf of, and in consultation with each general manager in the shared arrangement, take on the administrative responsibility of some aspects of the shared internal audit function.

In relation to the Audit, Risk and Improvement Committee, this includes:

- determining the size of the Audit, Risk and Improvement Committee
- ensuring adequate procedures are in place to protect the independence of the Audit, Risk and Improvement Committee
- arranging secretariat support for the Audit, Risk and Improvement Committee, and
- receiving written declarations from members that they do not have conflicts of interest that may preclude them from serving on the Audit, Risk and Improvement Committee.

<sup>67</sup> Where the Code of Conduct of the joint or regional organisation differs from the Model Code of Conduct, the Model Code of Conduct will apply.

In relation to the Chief Audit Executive and internal audit staff, this includes:

- appointing and dismissing the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee and governing bodies of each council)
- deciding any changes that may impact the employment of the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee), and
- dealing with breaches of the joint/regional organisation's code of conduct by the Chief Audit Executive or internal audit staff.

The general manager of each council will be required to attend the Audit, Risk and Improvement Committee meetings that relate to their council and exercise all other functions of the general managers in relation to internal audit described in core requirements 1-8.

### **Internal audit requirements for joint organisations**

It is important to note that, like councils, joint organisations will also be required to appoint an Audit, Risk and Improvement Committee and have an internal audit function.

The Audit, Risk and Improvement Committee appointed by the joint organisation on behalf of member councils is therefore also to operate as the Audit, Risk and Improvement Committee for the joint organisation and the Chief Audit Executive appointed by the joint organisation is also to oversee the internal audit function for the joint organisation in addition to member councils.

### **Fees for shared Audit, Risk and Improvement Committee members**

The following fee structure that currently applies under the NSW Government's prequalification scheme for Audit and Risk Committee Chairs and Members will apply to all shared arrangements, subject to any change.

<b>Shared Audit, Risk and Improvement Committees</b>	<b>Fee category (based on stand-alone internal audit functions)</b>	<b>Chair fee (excluding GST)</b>	<b>Member fee (excluding GST)</b>
Up to and including three small councils	Medium	\$16,213 per annum	\$1,621 per meeting day including preparation time
Two or more medium councils	Large	\$20,920 per annum	\$2,092 per meeting day including preparation time
Any combination of small and medium councils	Large	\$20,920 per annum	\$2,092 per meeting day including preparation time

### **(c) The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements**

The general manager of each council in any shared arrangement will be required to sign a 'Shared Internal Audit Resourcing Agreement' with the other councils in the shared arrangement which agrees the following components.

## Shared Internal Audit Resourcing Agreement

Issue	Components to be agreed by councils
Audit, Risk and Improvement Committee	<ul style="list-style-type: none"> <li>• Number of committee members</li> <li>• Term of committee membership</li> <li>• Process for appointing and dismissing the Chair and committee members, including skills and capability requirements</li> <li>• Content, approval and review of the committee's terms of reference</li> <li>• Process for reviewing the committee's performance</li> <li>• Secretariat support arrangements for the committee</li> <li>• The committee's meeting schedule, including the sequencing of meetings to cover each council's requirements and when and how emergency committee meetings can be called</li> <li>• Process for the committee to request others to attend committee meetings or provide additional information about internal audit matters</li> <li>• Arrangements for the provision of information by the committee to the Chief Audit Executive and internal audit personnel, as well as the governing body and general manager of each council</li> </ul>
Auspicing arrangements	<ul style="list-style-type: none"> <li>• What the auspicing arrangements will be</li> <li>• What the responsibilities of each council will be</li> <li>• Roles, responsibilities and reporting lines of the internal audit function</li> </ul>
Chief Audit Executive and internal audit personnel	<ul style="list-style-type: none"> <li>• Whether internal audit personnel are in-house or contracted through an external provider</li> <li>• Chief Audit Executive and internal audit personnel's purpose, scope, authority, delegations, role, responsibilities and reporting lines</li> <li>• HR matters such as recruitment processes, disciplinary matters, employment conditions, HR support, remuneration</li> <li>• Process for reviewing the performance of the Chief Audit Executive and internal audit personnel as part of each council's quality assurance and improvement program</li> </ul>
Administrative arrangements	<ul style="list-style-type: none"> <li>• Content of the Internal Audit Charter as well as how it is approved and reviewed</li> <li>• How costs will be determined, administered and shared</li> <li>• How disputes between councils in the shared arrangement will be resolved</li> <li>• How conflicts of interest, disciplinary or performance issues regarding Audit, Risk and Improvement Committee members, the Chief Audit Executive and internal audit personnel are to be dealt with</li> <li>• Information management and record-keeping</li> <li>• What information, if any, will be shared between councils</li> <li>• How much time the internal audit function spends on each council</li> <li>• Composition of the s 355 committee and the process for appointing and removing members (for independent shared arrangements)</li> <li>• Establishment and operation of the general manager's administrative oversight committee (for independent shared arrangements)</li> <li>• Process for agreeing contractual arrangements with external providers</li> <li>• Procedures and safeguards to be put in place to preserve the independence of the internal audit function</li> </ul>



---

## NEXT STEPS

---

### Have Your Say

In developing the risk management and internal audit framework proposed in this paper, the Office of Local Government has considered the recommendations of various inquiries conducted by the Local Government Acts Taskforce, the Independent Local Government Review Panel and the Independent Commission Against Corruption, and the internal audit frameworks of other jurisdictions.

The Institute of Internal Auditors, NSW Treasury, the Department of Finance, Services and Innovation, the NSW Audit Office and the Executive of the Local Government Internal Auditors Network have also provided valuable feedback on earlier drafts of this discussion paper.

We now want to hear from you.

#### Key questions to consider

- Will the proposed internal audit framework achieve the outcomes sought?
- What challenges do you see for your council when implementing the proposed framework?
- Does the proposed framework include all important elements of an effective internal audit and risk framework?
- Is there anything you don't like about the proposed framework?
- Can you suggest any improvements to the proposed framework?

Submissions may be made in writing by **31 December 2019** to the following addresses.

**Post**

Locked Bag 3015  
NOWRA NSW 2541

**Email:**

olg@olg.nsw.gov.au

Submissions should be marked to the attention of the Council Governance Team.

### Next steps

Feedback will be considered when finalising the risk management and internal audit framework.

Once finalised, the Office of Local Government will notify councils of the new requirements and the steps and timeline for implementation.

### Further information

For more information, please contact the Council Governance Team on (02) 4428 4100 or via email at [olg@olg.nsw.gov.au](mailto:olg@olg.nsw.gov.au).

## RESOURCES USED

ACT Government (2007) *Internal Audit Framework*

[https://apps.treasury.act.gov.au/\\_data/assets/pdf\\_file/0007/617920/Internal-Audit-Framework-April-2007.pdf](https://apps.treasury.act.gov.au/_data/assets/pdf_file/0007/617920/Internal-Audit-Framework-April-2007.pdf)

Alexander, Elizabeth and Thodey, David (2018) Independent Review into the operation of the *Public Governance, Performance and Accountability Act 2013*. September 2018

[https://www.finance.gov.au/sites/all/themes/pgpa\\_independent\\_review/report/PGPA\\_Independent\\_Review\\_-\\_Final\\_Report.pdf](https://www.finance.gov.au/sites/all/themes/pgpa_independent_review/report/PGPA_Independent_Review_-_Final_Report.pdf)

Auditing and Assurance Standards Board, Australian Institute of Company Directors and Institute of Internal Auditors-Australia (2017) *Audit Committees - A Guide to Good Practice*. 3rd Edition.

[http://www.auasb.gov.au/admin/file/content102/c3/04-17\\_AI\\_6.1-Final\\_Audit\\_Committee\\_Guide.pdf](http://www.auasb.gov.au/admin/file/content102/c3/04-17_AI_6.1-Final_Audit_Committee_Guide.pdf)

Audit Office of NSW (2015) *Governance Lighthouse – Strategic Early Warning System*. Better Practice Guide.

<https://www.audit.nsw.gov.au/our-work/resources/governance-lighthouse>

Audit Office of NSW (2017) *NSW Auditor-General Update for Audit, Risk and Improvement Committee Chairs*. Information Session, Friday 3 March 2017

Audit Office of NSW (2017) *The Auditor-General's New Mandate. Working with the Local Government Sector*. Information Session, January 2017

Australian Government, Department of Finance (2018) *Resource Management Guide No. 202. A guide for non-corporate Commonwealth entities on the role of the audit committee*

<https://www.finance.gov.au/sites/default/files/A%20guide%20for%20non-corporate%20Commonwealth%20entities%20on%20the%20role%20of%20audit%20com....pdf>

Australian Government, Department of Finance (2018) *Resource Management Guide No. 202. A guide for corporate Commonwealth entities on the role of the audit committee*

<https://www.finance.gov.au/sites/default/files/A%20guide%20for%20corporate%20Commonwealth%20Entities%20on%20the%20role%20of%20audit%20committees-final.pdf>

Australian National Audit Office (2015) *Public Sector Audit Committees Better Practice Guide – Independent Assurance and Advice for Accountable Authorities*

Australian National Audit Office (2012) *Public Sector Internal Audit Better Practice Guide– An Investment in Assurance and Business Improvement*

Australian Prudential Regulation Authority (2019) *Prudential Standard CPS 510 Governance (July 2019)*

[https://www.apra.gov.au/sites/default/files/prudential\\_standard\\_cps\\_510\\_governance.pdf](https://www.apra.gov.au/sites/default/files/prudential_standard_cps_510_governance.pdf)

ASX Corporate Governance Council (2016) *ASX Listing Rules*. Chapter 12 – Ongoing requirements. Rule 12.7

<https://www.asx.com.au/documents/rules/Chapter12.pdf>

ASX Corporate Governance Council (2014) *Corporate Governance Principles and Recommendations 3rd Edition*

<https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

Better Regulation Office, NSW Department of Premier and Cabinet (2008) *Risk-Based Compliance*.

[https://www.dpc.nsw.gov.au/assets/dpc-nsw-gov-au/gipa/1342e3daa7/01a\\_Risk-Based\\_Compliance.pdf](https://www.dpc.nsw.gov.au/assets/dpc-nsw-gov-au/gipa/1342e3daa7/01a_Risk-Based_Compliance.pdf)

Chartered Accountants Australia and New Zealand (2016) *Audit and Review Requirements for Australian Entities*

Chartered Institute of Internal Auditors (2017) *Internal Audit Charter*

Comcover, Australian Government (2008) *Risk Management Better Practice Guide*

[https://www.finance.gov.au/sites/default/files/Better\\_Practice\\_Guide.pdf](https://www.finance.gov.au/sites/default/files/Better_Practice_Guide.pdf)

Department of Finance (2016) *Implementing the Commonwealth Risk Management Policy – Guidance. Risk Management Guide 211*. Commonwealth of Australia

<https://www.finance.gov.au/sites/default/files/implementing-the-rm-policy.PDF>

Department of Finance (2016) *RMG 200 – Guide to the PGPA Act for Secretaries, Chief Executives or governing boards (accountable authorities)*. Commonwealth of Australia

<https://www.finance.gov.au/resource-management/accountability/accountable-authorities/>

Department of Finance (2015) *Audit Committees for Commonwealth entities and Commonwealth companies. Resource Management Guide No. 202*. Commonwealth of Australia

<https://www.finance.gov.au/sites/default/files/RMG-202-Audit-committees.pdf?v=1>

Department of Finance (2014) *Commonwealth Risk Management Policy*. Commonwealth of Australia

<https://www.finance.gov.au/sites/default/files/commonwealth-risk-management-policy.pdf>

Department of Finance (2008) *Risk Management Better Practice Guide*.

[https://www.finance.gov.au/sites/default/files/Better\\_Practice\\_Guide.pdf](https://www.finance.gov.au/sites/default/files/Better_Practice_Guide.pdf)

Department of Finance, Services and Administration (2015) *Code of Conduct: Audit and Risk Committee Chairs and Members*.

<https://www.procurepoint.nsw.gov.au/scm2421>

Division of Local Government (2013) *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. Department of Premier and Cabinet

<http://www.olg.nsw.gov.au/sites/default/files/Procedures-for-Administration-of-Model-Code-of-Conduct.pdf>

Division of Local Government (2010) *Internal Audit Guidelines*. Department of Premier & Cabinet

<http://www.olg.nsw.gov.au/sites/default/files/Internal-Audit-Guidelines-September-2010.pdf>

*Financial Accountability Act 2009* (QLD)

<https://www.legislation.qld.gov.au/view/html/inforce/current/act-2009-009>

*Financial and Performance Management Standard 2009* (QLD)

<https://www.legislation.qld.gov.au/view/pdf/2011-08-18/sl-2009-0104>

*Financial Management Act 1995 (NT)*

<https://legislation.nt.gov.au/en/Legislation/FINANCIAL-MANAGEMENT-ACT-1995>

*Financial Management Act 2006 (WA)*

[https://www.legislation.wa.gov.au/legislation/statutes.nsf/main\\_mrtitle\\_333\\_homepage.html](https://www.legislation.wa.gov.au/legislation/statutes.nsf/main_mrtitle_333_homepage.html)

Government of Western Australia, Department of Local Government and Communities (2013) *Local Government Operational Guidelines Number 9: Audit in Local Government. The Appointment, function and responsibilities of Audit Committees*

<https://www.dlgsc.wa.gov.au/department/publications/publication/the-appointment-function-and-responsibilities-of-audit-committees>

*Government Sector Finance Act 2018 (NSW)*

<https://legislation.nsw.gov.au/#/view/act/2018/55/full>

Independent Commission Against Corruption NSW (2017) *Investigation into the former City of Botany Bay Council Chief Financial Officer and others*. ICAC Report July 2017

<https://www.icac.nsw.gov.au/investigations/past-investigations/2017/city-of-botany-bay-council-operation-ricco>

Independent Commission Against Corruption NSW (2011) *Investigation into alleged corrupt conduct involving Burwood Council's general manager and others*. ICAC Report April 2011

<https://www.icac.nsw.gov.au/investigations/past-investigations/2011/burwood-council-operation-magnus>

Independent Local Government Review Panel (2013) *Revitalising Local Government. Final Report of the NSW Independent Local Government Review Panel*. October 2013

<https://www.olg.nsw.gov.au/sites/default/files/Revitalising-Local-Government-ILGRP-Final-Report-October-2013.pdf>

International Organisation for Standardisation (2018) *ISO 31000:2018, Risk management – Guidelines*

<https://www.iso.org/iso-31000-risk-management.html> or <https://www.standards.org.au/standards-catalogue/sa-snz/publicsafety/ob-007/as--iso--31000-colon-2018>

International Organisation for Standardisation (2009) *IEC/ISO 31010 Risk management – risk assessment techniques*

<https://www.iso.org/standard/51073.html>

Jones, Greg and Beattie, Claire (2015) *Local Government Internal Audit Compliance*, *Australasian Accounting, Business and Finance Journal*, 9(3), pages 59-71

<http://ro.uow.edu.au/cgi/viewcontent.cgi?article=1597&context=aabfj>

*Local Government Act 1993 (NSW)*

<https://www.legislation.nsw.gov.au/#/view/act/1993/30>

*Local Government Act 2009 (QLD)*

<https://www.legislation.qld.gov.au/view/html/inforce/current/act-2009-017>

*Local Government Act 1989 (VIC)*

[http://www.legislation.vic.gov.au/domino/web\\_notes/ldms/ltobject\\_store/ltobjst6.nsf/dde300b846eed9c7ca257616000a3571/32807739dafb424aca2578db001b8014/\\$file/89-11aa109a%20authorised.pdf](http://www.legislation.vic.gov.au/domino/web_notes/ldms/ltobject_store/ltobjst6.nsf/dde300b846eed9c7ca257616000a3571/32807739dafb424aca2578db001b8014/$file/89-11aa109a%20authorised.pdf)

*Local Government Act 1995 (WA)*

[https://www.legislation.wa.gov.au/legislation/statutes.nsf/main\\_mrtitle\\_551\\_homepage.html](https://www.legislation.wa.gov.au/legislation/statutes.nsf/main_mrtitle_551_homepage.html)

Local Government (Audit) Regulations 1996 (WA)

[https://www.legislation.wa.gov.au/legislation/statutes.nsf/main\\_mrtitle\\_1748\\_homepage.html](https://www.legislation.wa.gov.au/legislation/statutes.nsf/main_mrtitle_1748_homepage.html)

Local Government (General) Regulation 2005 (NSW)

<https://www.legislation.nsw.gov.au/#/view/regulation/2005/487/part10/div2/sec235>

Local Government Regulation 2012 (QLD)

<https://www.legislation.qld.gov.au/view/html/inforce/2018-02-18/sl-2012-0236>

Local Government Acts Taskforce (2013) *A New Local Government Act for New South Wales and Review of the City of Sydney Act 1988*. NSW Division of Local Government, Department of Premier and Cabinet.

<https://www.olg.nsw.gov.au/sites/default/files/New-Local-Government-final-report.pdf>

Local Government Victoria (2011) *Audit Committees, A Guide to Good Practice for Local Government*

[https://www.localgovernment.vic.gov.au/\\_data/assets/pdf\\_file/0021/84081/Audit\\_Committees\\_Guidelines-A-guide-to-good-practice-for-local-government.pdf](https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0021/84081/Audit_Committees_Guidelines-A-guide-to-good-practice-for-local-government.pdf)

NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government: Department of Premier and Cabinet, Division of Local Government*

[https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2012\\_Sep\\_Report\\_Monitoring\\_Local\\_Government.pdf](https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2012_Sep_Report_Monitoring_Local_Government.pdf)

NSW Auditor-General (2018) *Report on Local Government 2017*. New South Wales Auditor-General Report, Financial Audit.

<https://www.audit.nsw.gov.au/our-work/reports/local-government-2018>

NSW Auditor-General (2019) *Report on Local Government 2018*. New South Wales Auditor-General's Report, Sector Report.

<https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/Report%20on%20Local%20Government%202018%20-%20Final%20Report.pdf>

NSW Treasury (2016) *TPP 16-02 Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees*.

[https://www.treasury.nsw.gov.au/sites/default/files/2017-01/TPP16-02\\_Guidance\\_on\\_Shared\\_Arrangements\\_and\\_Subcommittees\\_for\\_Audit\\_and\\_Risk\\_Committees.pdf](https://www.treasury.nsw.gov.au/sites/default/files/2017-01/TPP16-02_Guidance_on_Shared_Arrangements_and_Subcommittees_for_Audit_and_Risk_Committees.pdf)

NSW Treasury (2015) *Code of Conduct: Audit and Risk Committee Chairs and Members*

<https://www.procurepoint.nsw.gov.au/documents/audit-and-risk-code-conduct.docx>

NSW Treasury (2015) *TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*.

[https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP15-03\\_Internal\\_Audit\\_and\\_Risk\\_Management\\_Policy\\_for\\_the\\_NSW\\_Public\\_Sector.pdf](https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP15-03_Internal_Audit_and_Risk_Management_Policy_for_the_NSW_Public_Sector.pdf)

NSW Treasury (2012) *Risk Management Toolkit for NSW Public Sector Agencies: Executive Guide*

[https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP12-03a\\_Risk\\_Management\\_toolkit\\_for\\_the\\_NSW\\_Public\\_Sector\\_-\\_Executive\\_Guide.pdf](https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP12-03a_Risk_Management_toolkit_for_the_NSW_Public_Sector_-_Executive_Guide.pdf)

NSW Treasury (2012) *TPP 12-03b Risk Management Toolkit for NSW Public Sector Agencies: Volume 1: Guidance for Agencies*

[https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP12-03b\\_Risk\\_Management\\_toolkit\\_for\\_the\\_NSW\\_Public\\_Sector\\_Volume\\_1\\_-\\_Guidelines\\_for\\_Agencies.pdf](https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP12-03b_Risk_Management_toolkit_for_the_NSW_Public_Sector_Volume_1_-_Guidelines_for_Agencies.pdf)

NSW Treasury and the NSW Department of Finance, Services and Innovation (2016) *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members. Scheme Conditions.*

<https://tenders.nsw.gov.au/dfs/?event=public.scheme.show&RFTUID=32C22F9B-DCD8-D61D-59601E7558E2FA26>

NSW Treasury and the NSW Department of Finance, Services and Innovation (2015) *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members. Guidelines for Agencies and Ministers.*

<https://tenders.nsw.gov.au/dfs/?event=public.scheme.show&RFTUID=32C22F9B-DCD8-D61D-59601E7558E2FA26>

NT Government (2001) *Treasurer's Directions L4/01– Part 3 Responsible and Accountable Officers, Section 3 Internal Audit.* Originally published 1995

[https://treasury.nt.gov.au/\\_data/assets/pdf\\_file/0003/481548/TD-EG-P3S3a.pdf](https://treasury.nt.gov.au/_data/assets/pdf_file/0003/481548/TD-EG-P3S3a.pdf)

Office of Local Government (2015) *Towards New Local Government Legislation Explanatory Paper: proposed Phase 1 amendments.*

Office of Local Government (2015) *Model Code of Conduct for Local Councils in NSW.* November 2015  
<http://www.olg.nsw.gov.au/strengthening-local-government/conduct-and-governance/model-code-of-conduct>

*Public Corporations Act 1993 (SA)*

<https://www.legislation.sa.gov.au/LZ/C/A/Public%20Corporations%20Act%201993.aspx>

*Public Governance, Performance and Accountability Act 2013 (Commonwealth)*

<https://www.legislation.gov.au/Details/C2013A00123>

*Public Governance, Performance and Accountability Rule 2014 (Commonwealth)*

<https://www.legislation.gov.au/Details/F2019C00293>

Queensland Government, Department of Local Government, Racing and Multicultural Affairs (2015) *Local Government Bulletin 08/15: Internal Audit and Audit Committees*

<https://www.dlgrma.qld.gov.au/newsletters-and-brochures/bulletin-08-15.html>

Standards Australia International (2004) *Australian Standard Good Governance Principles - incorporating Amendment No. 1 (AS 8000:2003)*

[https://www.saiglobal.com/PDFTemp/Previews/OSH/as/as8000/8000/8000-2003\(+A1\).pdf](https://www.saiglobal.com/PDFTemp/Previews/OSH/as/as8000/8000/8000-2003(+A1).pdf)

Government of Western Australia, Department of Treasury (2018) *Treasurer's Instructions Part XII – Internal Audit.* Includes Update No. 83 issued on 21 December 2018

<https://www.treasury.wa.gov.au/uploadedFiles/Treasury/Legislation/FAB-Update-No-84.PDF>

Victorian Government, Department of Treasury and Finance (2018) *Standing Directions 2018 under the Financial Management Act 1994* (issued 11 October 2018, incorporating revisions to 26 March 2019)

<https://www.dtf.vic.gov.au/sites/default/files/document/Standing%20Directions%202018%20%28revised%20March%202019%29%20V2.pdf>

The Institute of Internal Auditors (2017) *International Professionals Practices Framework. International Standards for the Professional Practice of Internal Auditing.*

<https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards.aspx>

The Institute of Internal Auditors (2016) *Inter-Jurisdictional Comparison Audit Committees and Internal Audit*.

The Institute of Internal Auditors (2013) *IIA Position Paper: The Three Lines of Defense in Effective Risk Management and Control*.

<https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Three%20Lines%20of%20Defense%20in%20Effective%20Risk%20Management%20and%20Control.pdf>

The Institute of Internal Auditors (2009) *IIA Position Paper: The Role of Internal Audit in Enterprise-Wide Risk Management*.

<https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Role%20of%20Internal%20Auditing%20in%20Enterprise%20Risk%20Management.pdf>

The Institute of Internal Auditors - Australia (2017) *Submission to the Department of Finance's Review of the Public Governance, Performance and Accountability Act 2014* (8 November 2017)

[https://www.finance.gov.au/sites/all/themes/pgpa\\_independent\\_review/submissions/PGPA\\_Act\\_Rule\\_Independent\\_Review-Inst\\_Internal\\_Auditors.pdf](https://www.finance.gov.au/sites/all/themes/pgpa_independent_review/submissions/PGPA_Act_Rule_Independent_Review-Inst_Internal_Auditors.pdf)

The Institute of Internal Auditors – Australia (2018) *Factsheet: '3 Lines of Defence' Combined Assurance Model*.

[http://iia.org.au/sf\\_docs/default-source/technical-resources/2018-fact-sheets/three-lines-of-defence.pdf?sfvrsn=2](http://iia.org.au/sf_docs/default-source/technical-resources/2018-fact-sheets/three-lines-of-defence.pdf?sfvrsn=2)

The Institute of Internal Auditors – Australia (2018) *Factsheet: Corporate Governance*.

[http://iia.org.au/sf\\_docs/default-source/technical-resources/2018-fact-sheets/corporate-governance.pdf?sfvrsn=2](http://iia.org.au/sf_docs/default-source/technical-resources/2018-fact-sheets/corporate-governance.pdf?sfvrsn=2)

The Institute of Internal Auditors – Australia (2016) *Internal Audit in Australia*.

[http://iia.org.au/sf\\_docs/default-source/quality/internalauditinaustralia.pdf?sfvrsn=2&submission=398357332](http://iia.org.au/sf_docs/default-source/quality/internalauditinaustralia.pdf?sfvrsn=2&submission=398357332)

The State of Queensland (Queensland Treasury and Trade) (2012) *Audit Committee Guidelines: Improving Accountability and Performance*

<https://s3.treasury.qld.gov.au/files/improving-performance.pdf>

*Treasurer's Instruction 108 – Internal Audit* (TAS) - September 2011

<https://www.treasury.tas.gov.au/Documents/FMTI-108.pdf>

## APPENDIX 1 – TIMELINE OF KEY INFLUENTIAL EVENTS

When	Who	What
2008	Office of Local Government <sup>68</sup>	<p><b>Internal Audit Guidelines for local government in NSW</b></p> <p>The Office of Local Government issued <i>Internal Audit Guidelines</i> under section 23A of the Local Government Act. The Guidelines sought to assist councils to put into place effective risk management and internal audit processes. This was in recognition that many councils wished to have a risk management framework and internal audit function and wanted guidance on how to achieve this. The Guidelines included:</p> <ul style="list-style-type: none"> <li>• the aims and objectives of risk management and internal audit in councils</li> <li>• how a risk management framework and an internal audit function is to be overseen, structured and operated</li> <li>• the roles, responsibilities and reporting lines of relevant staff</li> <li>• the need for internal audit charters, and</li> <li>• the establishment, structure and function of audit and risk management committees.</li> </ul>
2010	Office of Local Government <sup>69</sup>	<p><b>Internal Audit Guidelines for local government in NSW - updated<sup>70</sup></b></p> <p>A survey of councils conducted by the Office of Local Government to ascertain the progress made towards implementing the 2008 Guidelines found that while more than 50% of councils reported that they had an internal audit function, there were areas where the Guidelines needed to be clarified to improve compliance. The Guidelines were updated to:</p> <ul style="list-style-type: none"> <li>• provide more guidance on the requirements for an independent audit committee</li> <li>• expand the conflicts of interest provisions, and</li> <li>• clarify the role of the general manager in the internal audit function.</li> </ul>

<sup>68</sup> Then the Department of Local Government

<sup>69</sup> Then the Division of Local Government in the Department of Premier and Cabinet

<sup>70</sup> Division of Local Government (2010) *Internal Audit Guidelines*



When	Who	What
2011	Independent Commission Against Corruption	<p><b>Burwood Council Inquiry</b></p> <p>The Independent Commission Against Corruption found in its <i>Investigation into alleged corrupt conduct involving Burwood Council's General Manager and others</i><sup>71</sup> that the absence of internal audit at Burwood Council was a significant factor that allowed corruption to occur at that council. The Commission recommended that:</p> <ul style="list-style-type: none"> <li>• internal audit be legislatively mandated for local councils in NSW, and</li> <li>• in the case of small councils, the possibility of councils sharing an internal audit function should also be provided as an option.</li> </ul> <p>The Commission also made a number of specific recommendations regarding internal audit functions in NSW councils:</p> <ul style="list-style-type: none"> <li>• it be made a legislative requirement that council's internal audit committee be able to meet without the general manager present as this would preserve its capacity to meet as an independent body</li> <li>• it be made a legislative requirement that the general manager of a council report to the governing body any decision to dismiss an internal auditor and the reason for the decision. This will help protect internal auditors from dismissal as a result of conducting an audit involving the conduct of a general manager</li> <li>• the Local Government Act be amended to confer powers on internal auditors similar to those conferred on external auditors. These powers should include full and free access to council information in order to carry out the internal audit function and the power to direct general managers, councillors and staff to produce documents and answer questions</li> <li>• clause 9.2(d) of the <i>Model Code of Conduct for Local Councils in NSW</i> be amended to permit councillors to provide information directly to internal auditors. This amendment was considered necessary to increase internal auditors' potential sources of information, and</li> <li>• the reporting structure for councils' internal audit function include provision for the governing body of the council to receive information about the outcome of audits.</li> </ul> <p>Specific to Burwood Council, but relevant to councils state-wide, the Commission also recommended that:</p> <ul style="list-style-type: none"> <li>• council's audit and risk committee be chaired by a person independent of council</li> <li>• the governing body of the council receive regular updates on the outcome of internal audits</li> <li>• council's internal audit function monitor compliance with the Councillor Expenses and Facilities Policy, any policy for the payment of out-of-pocket expenses to the general manager and staff and council's system for allocating work to legal practitioners as part of its oversight role, and</li> <li>• council's internal audit function conducts audits of the authorisation certification and approval processes for expenditure that is unusual or infrequent.</li> </ul>

<sup>71</sup> Independent Commission Against Corruption (2011) *Investigation into the alleged corrupt conduct involving Burwood Council's general manager and others*

When	Who	What
2012	NSW Auditor-General	<p><b>Monitoring Local Government report<sup>72</sup></b></p> <p>The NSW Auditor-General found that over 75 councils had some sort of internal audit function and recommended that amendments be made to the Local Government Act (or other suitable alternative measures) that enable the Office of Local Government to make directions to require councils to have an Audit, Risk and Improvement Committee, internal audit function and fraud control procedures. The NSW Auditor-General also recommended that the Office of Local Government use council internal audit reports to identify councils at financial risk and identify matters which warrant attention.</p>
2013	Local Government Acts Taskforce	<p><b>Review of the Local Government Act 1993</b></p> <p>The Local Government Acts Taskforce recommended in its report, <i>A new Local Government Act for NSW and Review of the City of Sydney Act 1988<sup>73</sup></i>, that the Act be amended to:</p> <ul style="list-style-type: none"> <li>• legislate financial governance principles councils are to abide by</li> <li>• require councils to implement a financial governance framework that includes risk management, audit, internal controls and independent verification of financial reporting</li> <li>• require councils to incorporate risk management, accountability, value for money and probity in procurement, approval, enforcement and capital expenditure processes, and</li> <li>• require all decisions to incorporate considerations of risk management and long-term sustainability.</li> </ul> <p>The Taskforce conducted extensive public and sector consultation in formulating its recommendations.</p>
2013	Independent Local Government Review Panel	<p><b>Independent Local Government Review Panel</b></p> <p>The Independent Local Government Review Panel found that, as at 2013, 50% of NSW councils had an Audit, Risk and Improvement Committee and/or some form of internal audit process. However, those that did tended to focus primarily on compliance, risk and fraud control and had committees that were strongly embedded within the council and answerable primarily to the general manager. This could generate conflicts of interest.</p> <p>The Panel recommended in its report, <i>Revitalising Local Government<sup>74</sup></i>, that the 2010 Internal Audit Guidelines issued by the Office of Local Government be made mandatory under the Local Government Act and that each council be required to have an internal audit function. Under the mandatory framework the Panel specifically recommended that:</p> <ul style="list-style-type: none"> <li>• each council's internal audit function focus on adding value and continuous improvement rather than compliance, risk and fraud control</li> <li>• all councils with expenditures over a set amount (e.g. \$20 million per annum) be required to have an Audit, Risk and Improvement Committee and associated internal audit function with broad terms of reference covering financial management, good governance, performance in implementing the community</li> </ul>

<sup>72</sup> NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government: Department of Premier and Cabinet, Division of Local Government*

<sup>73</sup> Local Government Acts Taskforce (2013) *A New Local Act for New South Wales and Review of the City of Sydney Act 1988*

<sup>74</sup> Independent Local Government Review Panel (2013) *Revitalising Local Government. Final Report of the NSW Independent Local Government Review Panel*

When	Who	What
		<p>strategic plan and delivery program, service reviews, collection of required indicator data, continuous improvement and long-term sustainability</p> <ul style="list-style-type: none"> <li>• each Audit, Risk and Improvement Committee should have a majority of independent members and an independent Chair, and the general manager should be precluded from being a committee member (but not from attending committee meetings)</li> <li>• the Chair be required to report biannually to a council meeting on council's financial management, governance processes and opportunities for continuous improvement</li> <li>• councils be able to share their internal audit functions under the auspices of joint organisations, and</li> <li>• the NSW Auditor-General conduct issue-based performance audits relating to internal audit.</li> </ul> <p>The Panel conducted extensive public and sector consultation in formulating its recommendations.</p>
2016	NSW Parliament	<p><b>Amendments to the <i>Local Government Act 1993</i></b></p> <p>In response to the recommendations of the Independent Local Government Review Panel, the Local Government Act was amended<sup>75</sup> to require all councils to have an Audit, Risk and Improvement Committee to keep under review the following aspects of council's operations:</p> <ul style="list-style-type: none"> <li>• compliance</li> <li>• risk management</li> <li>• fraud control</li> <li>• financial management</li> <li>• governance</li> <li>• implementation of the strategic plan, delivery program and strategies</li> <li>• service reviews</li> <li>• council's performance, and</li> <li>• the collection of performance measurement data by the council.</li> </ul> <p>Guiding principles were included in the Act to require councils to have sound policies and processes for risk management and to effectively and proactively manage risks to the local community and council.</p> <p>The roles and responsibilities of the governing body, mayor, councillors were also updated and include the need to comply with the guiding principles and keep the performance of the council under review.</p> <p>The amendments followed an extensive public consultation process.</p>
2017	Independent Commission Against Corruption	<p><b>Botany Bay Council Inquiry</b></p> <p>The Independent Commission Against Corruption found, in its <i>Investigation into the conduct of the former City of Botany Bay chief financial officer and others</i><sup>76</sup>, that whilst Botany Bay Council did have an internal audit function:</p> <ul style="list-style-type: none"> <li>• it lacked independence from council's management and was prevented by the general manager from investigating the key operational areas and financial aspects of the council where corruption was occurring</li> </ul>

<sup>75</sup> The Local Government Act was amended via the *Local Government Amendment (Governance and Planning) Act 2016*

<sup>76</sup> Independent Commission Against Corruption (2017) *Investigation into the former City of Botany Bay Council Chief Financial Officer and others*. ICAC Report July 2017

When	Who	What
		<ul style="list-style-type: none"> <li>• it was never able to directly present information or audit reports to the Audit, Risk and Improvement Committee or meet with the Committee to discuss concerns without the general manager present</li> <li>• it did not use risk ratings to determine what audits would be conducted which enabled key areas (where corruption was occurring) to be missed</li> <li>• the council's Audit, Risk and Improvement Committee was ineffective and did not properly examine the council, internal audit function or monitor the implementation of corrective actions, or report to the governing body</li> <li>• standard controls were frequently ignored, e.g. management letters</li> <li>• key financial staff in the council lacked the capabilities to perform their role</li> <li>• the governing body thought it was unable to request more information about audit activities</li> <li>• the governing body of council did not properly consider external audit reports or implement recommended corrective actions, and</li> <li>• corruption and misuse of public money was able to occur unabated.</li> </ul> <p>The Commission recommended that the internal audit model to be developed under the 2016 amendments to the Act be comparable to that which applies to state government agencies. The Commission specified in particular that the NSW Government:</p> <ul style="list-style-type: none"> <li>• issue mandatory administration and governance directives to local government similar to those that apply to state government agencies</li> <li>• require the composition and operation of audit committees to be similar to those that apply to state government agencies (i.e. all independent members), and</li> <li>• require the general managers of each council to regularly attest that its audit committee is operating in accordance with requirements.</li> </ul> <p>The Commission also noted that had the NSW Auditor-General been conducting council's external audits (as now occurs) the corrupt conduct would have been detected much more quickly than it was.</p> <p>Specific to Botany Bay Council, but relevant to councils state-wide, the Commission also recommended that:</p> <ul style="list-style-type: none"> <li>• council ensures that the implementation of both internal and external audit recommendations is considered by the governing body of the council when evaluating the performance of the general manager</li> <li>• council undertake a risk assessment (including an assessment of fraud and corruption risks) to inform its internal audit plan</li> <li>• council ensures that its internal audit function operates independently from management by reporting functionally to its Audit, Risk and Improvement Committee</li> <li>• council ensures that it has a robust system in place to monitor and report on the implementation of internal audit recommendations that is independent from management, and</li> <li>• the general manager reviews the Audit, Risk and Improvement Committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to the governing body on governance processes.</li> </ul>

When	Who	What
2018	NSW Auditor-General	<p><b>Report on Local Government 2017</b></p> <p>The NSW Auditor-General released her first audit of the NSW local government sector<sup>77</sup> in April 2018 following the 2016 Local Government Act amendments. In relation to internal audit, the NSW Auditor-General found that, out of a combined 128 local councils and 10 county councils:</p> <ul style="list-style-type: none"> <li>• 85 councils (62%) have an Audit, Risk and Improvement Committee and 53 (38%) do not. This is further broken down by location: <ul style="list-style-type: none"> <li>○ 32 metropolitan councils (94%) have a committee and 2 (6%) do not</li> <li>○ 29 regional councils (78%) have a committee and 8 (22%) do not</li> <li>○ 23 rural councils (40%) have a committee and 34 (60%) do not</li> <li>○ 1 county council (10%) has a committee and 9 (90%) do not</li> </ul> </li> <li>• 86 council have a supporting internal audit function and 52 councils (38%) do not. This is further broken down by location: <ul style="list-style-type: none"> <li>○ 31 metropolitan councils (91%) have an internal audit function and 3 (9%) do not</li> <li>○ 29 regional councils (78%) have an internal audit function and 8 (22%) do not</li> <li>○ 24 rural councils (42%) have an internal audit function and 33 (58%) do not</li> <li>○ 2 county councils (20%) have an internal audit function and 8 (80%) do not, and</li> </ul> </li> <li>• 102 councils (74%) have either an Audit, Risk and Improvement Committee or an internal audit function and 36 councils (26%) have neither.</li> </ul> <p>The Auditor-General also found that of the councils that did have a risk management framework in place, many of them were outdated and did not have accurate risk registers, risk policies and/or procedures. Many councils also had significant risks that were not being managed appropriately and were consequently affecting the governance, financial sustainability, asset management and legislative compliance of the council. 55% of Committees were also not reviewing the financial statements of councils.</p> <p>The NSW Auditor-General recommended in relation to risk management and internal audit that:</p> <ul style="list-style-type: none"> <li>• the Office of Local Government introduce a requirement for all councils to establish internal audit functions</li> <li>• the Office of Local Government update its 2010 Internal Audit Guidelines</li> <li>• Audit, Risk and Improvement Committees review the financial statements of councils</li> <li>• councils could strengthen governance by implementing risk management and/or ensure their existing risk management framework includes IT, and</li> <li>• councils should early adopt the proposed requirement to establish an Audit, Risk and Improvement Committee.</li> </ul>

<sup>77</sup> NSW Auditor-General (2018) *Report on Local Government 2017*

When	Who	What
2019	NSW Auditor-General	<p><b>Report on Local Government 2018</b></p> <p>The NSW Auditor-General<sup>78</sup> found in her 2018 report that out of a combined 128 councils and 10 county councils, the number that have an:</p> <ul style="list-style-type: none"> <li>○ Audit, Risk and Improvement Committee increased from 85 (62%) in 2017 to 97 (70%), and</li> <li>○ internal audit function increased from 86 (62%) in 2017 to 92 (67%).</li> </ul> <p>The NSW Auditor-General attributed these increases to the 2016 amendments to the Local Government Act that mandate Audit, Risk and Improvement Committees and internal audit functions from March 2021.</p> <p>The councils yet to establish an Audit, Risk and Improvement Committee and internal audit function are mainly rural and county councils (50-60% of rural and county councils are non-compliant). Most metropolitan councils have a Committee and all have an internal audit function.</p> <p>For those councils that did have an Audit, Risk and Improvement Committee:</p> <ul style="list-style-type: none"> <li>• 98% of Committees have an Audit, Risk and Improvement Committee Charter</li> <li>• 94% of Committees have an independent Committee Chair</li> <li>• 90% of Committees are advised of significant, complex or contentious financial reporting issues</li> <li>• 87% of Committees monitor progress in addressing internal and external audit recommendations</li> <li>• 83% of Committees have a majority of members who are independent</li> <li>• 81% of Committees review the council's risk register</li> <li>• 48% of Committees perform an annual self-assessment of their performance.</li> </ul> <p>For those councils that did have an internal audit function:</p> <ul style="list-style-type: none"> <li>• 95% have a documented internal audit plan</li> <li>• 90% of Audit, Risk and Improvement Committees review the internal audit plan</li> <li>• 85% of internal audit plans align with the council's risk register, and</li> <li>• 61% of Committees assess the performance of the internal audit function.</li> </ul> <p>In relation to risk management, the NSW Auditor-General found that:</p> <ul style="list-style-type: none"> <li>• 120 (87%) councils have a risk management policy and 18 (13%) councils do not</li> <li>• 100 (72%) councils have a risk register and 38 (28%) councils do not, and</li> <li>• 126 (91%) councils' risk registers align with their strategic objectives and 12 (9%) do not.</li> </ul> <p>The NSW Auditor-General also recommended that councils:</p> <ul style="list-style-type: none"> <li>• strengthen their risk management policies and practices</li> <li>• manage a number of specific high-risks better</li> <li>• implement stronger internal controls</li> <li>• improve fraud control, IT, asset management, procurement and contract management policies and practices, and</li> <li>• implement a legislative compliance framework tailored to the size and risk profile of the council.</li> </ul>

<sup>78</sup> NSW Auditor-General (2019) *Report on Local Government 2018* (see erratum)



# **A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK**

for local councils in NSW

## **Snapshot Guide**

September 2019





## **A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL COUNCILS IN NSW – SNAPSHOT GUIDE**

2019

### **ACCESS TO SERVICES**

The Office of Local Government is located at:

Street Address: Levels 1 & 2, 5 O'Keefe Avenue, NOWRA NSW 2541

Postal Address: Locked Bag 3015, Nowra, NSW 2541

Phone: 02 4428 4100

Fax: 02 4428 4199

TTY: 02 4428 4209

Email : [olg@olg.nsw.gov.au](mailto:olg@olg.nsw.gov.au)

Website: [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au)

### **OFFICE HOURS**

Monday to Friday

9.00am to 5.00pm

(Special arrangements may be made if these hours are unsuitable)

All offices are wheelchair accessible.

### **ALTERNATIVE MEDIA PUBLICATIONS**

Special arrangements can be made for our publications to be provided in large print or an alternative media format. If you need this service, please contact Client Services on 02 4428 4100.

### **DISCLAIMER**

While every effort has been made to ensure the accuracy of the information in this publication, the Office of Local Government expressly disclaims any liability to any person in respect of anything done or not done as a result of the contents of the publication or the data provided.

---

# A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL GOVERNMENT IN NSW - Snapshot Guide

---

## Purpose

This summary guide provides a 'snapshot' of the mandatory internal audit and risk management framework that is being proposed for NSW councils.

For a full understanding of the proposed framework, please refer to the discussion paper, *A new risk management and internal audit framework for local councils in NSW*, which can be found at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au).

## Introduction

In 2016, the NSW Government made it a requirement under the *Local Government Act 1993* ('Local Government Act') that each council have an Audit, Risk and Improvement Committee. This requirement is likely to take effect from March 2021. Councils are also required to proactively manage any risks they face under the new guiding principles of the Act.

The Government is consulting on the proposed regulatory framework that will support the operation of these committees, and the establishment of a risk management framework and internal audit function in each council.

There will be nine core requirements that councils will be required to comply with when establishing their Audit, Risk and Improvement Committees, risk management framework and internal audit function.

These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have already implemented risk management and internal audit.

There are also components of the proposed framework that are designed to reflect the unique needs and structure of NSW councils.

The framework will apply to councils, county councils and joint organisations.

### Have Your Say

The NSW Government would like to know what you think of the framework being proposed.

Submissions may be made in writing by **31 December 2019** to the following addresses.

**Post:** Locked Bag 3015 NOWRA NSW 2541  
**Email:** [olg@olg.nsw.gov.au](mailto:olg@olg.nsw.gov.au)

Key questions you may wish to consider when providing your feedback include:

- will the proposed framework achieve the outcomes sought?
- what challenges do you see for your council when implementing the proposed framework?
- does the proposed framework include all important elements of an effective internal audit and risk framework?
- is there anything you don't like about the proposed framework?
- can you suggest any improvements to the proposed framework?

## Proposed regulatory framework

The NSW Government's objective is to ensure that:

- each council in NSW has an independent Audit, Risk and Improvement Committee that adds value to the council
- each council in NSW has a robust risk management framework in place that accurately identifies and mitigates the risks facing the council and its operations
- each council in NSW has an effective internal audit function that provides independent assurance that the council is functioning effectively and the internal controls the council has put into place to manage risk are working, and
- councils comply with minimum standards for these mechanisms that are based on internationally accepted standards and good practice.

The proposed statutory framework will consist of the following three elements:

### 1. Current provisions in the Local Government Act

#### Section 428A

Section 428A (when proclaimed) will require 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 council about:

- whether the council is complying with all necessary legislation
- 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 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 to improve the council's performance of its functions more generally
- the collection of performance measurement data by the council, and
- any other matters prescribed by the *Local Government (General) Regulation 2005* (i.e. internal audit).

#### Section 428B

Section 428B (when proclaimed) will also allow a council to establish a joint Audit, Risk and Improvement Committee with another council/s including through joint or regional organisations of councils.

#### Guiding principles and roles and responsibilities

Amendments made to the Local Government Act in 2016 prescribed new guiding principles for councils and updated the prescribed roles and responsibilities of the governing body (section 223) and general manager (section 335). These amendments will operate to support the work of Audit, Risk and Improvement Committees and provide for the future establishment of a risk management and internal audit function in each council.

These guiding principles and roles and responsibilities have already commenced.

### 2. New regulations

The operation of sections 428A and 428B will be supported by new regulations in the *Local Government (General) Regulation 2005*.

These will prescribe the requirements that councils are to comply with when appointing their Audit, Risk and Improvement Committee and establishing their risk management framework and internal audit function.

The regulations will also provide for a model internal audit charter and model terms of reference for Audit, Risk and Improvement

Committees which all councils must adopt and comply with.

### 3. New Guidelines

New guidelines will be issued setting out the core requirements that each council's Audit, Risk and Improvement Committee, risk management framework and internal audit function must comply with.

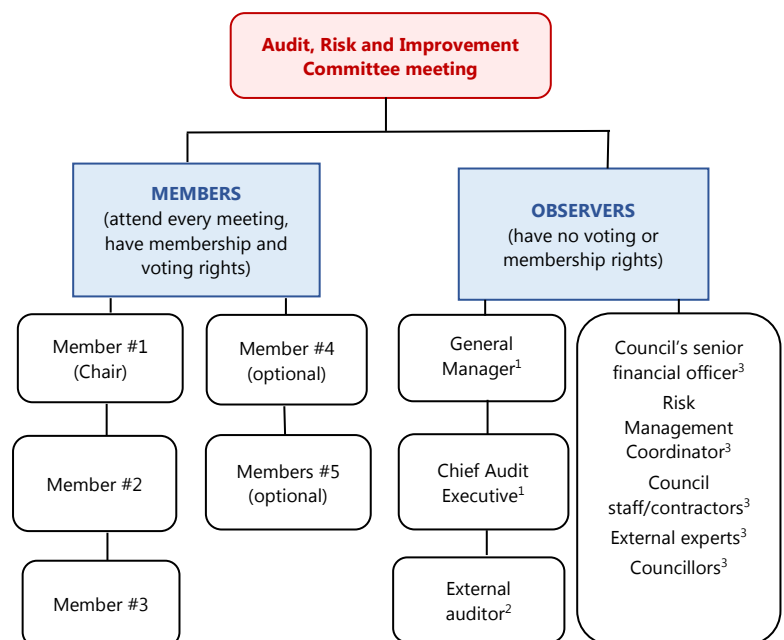
These core requirements are detailed below.

## Core requirement 1: Appoint an independent Audit, Risk and Improvement Committee

- Each council is to have an independent Audit, Risk and Improvement Committee that reviews all the matters prescribed in section 428A of the Local Government Act
- 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
- 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*
- 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
- 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 (see below) should attend except where excluded by the Committee

- Audit, Risk and Improvement Committee members are to comply with the council's code of conduct and the conduct requirements of the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- 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
- 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
- The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings



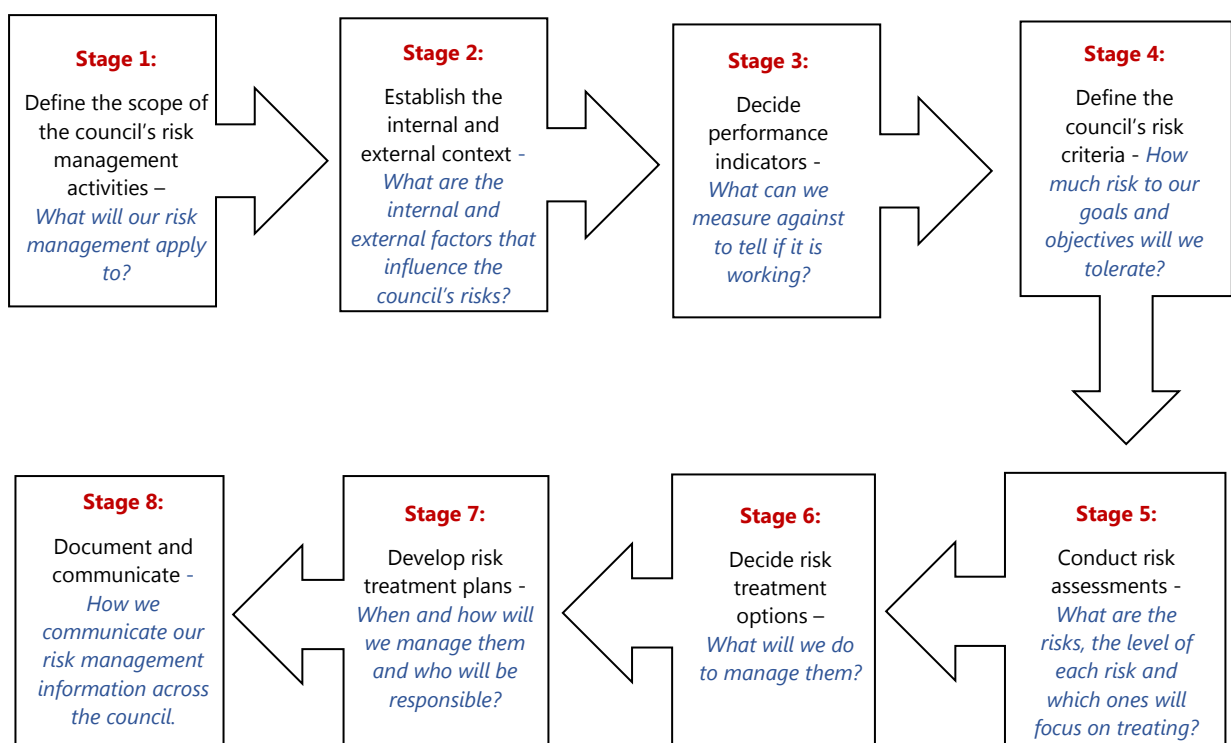
<sup>1</sup> Attends each meeting except where excluded by the Committee  
<sup>2</sup> Open invitation to attend every meeting as an independent advisor  
<sup>3</sup> When invited by the Committee to attend/give information

## **Core requirement 2:**

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

- Each council is to establish a risk management framework that is consistent with current Australian standards for risk management
- The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework
- Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process (see below). This includes deciding the council's risk criteria and how risk that falls outside tolerance levels will be treated
- Each council is to fully integrate its risk management framework within all of council's decision-making, operational and integrated planning and reporting processes
- Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability
- Each council is to ensure its risk management framework is regularly monitored and reviewed
- The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities
- The general manager is to publish in the council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements

#### **Stages of a council's risk management process**

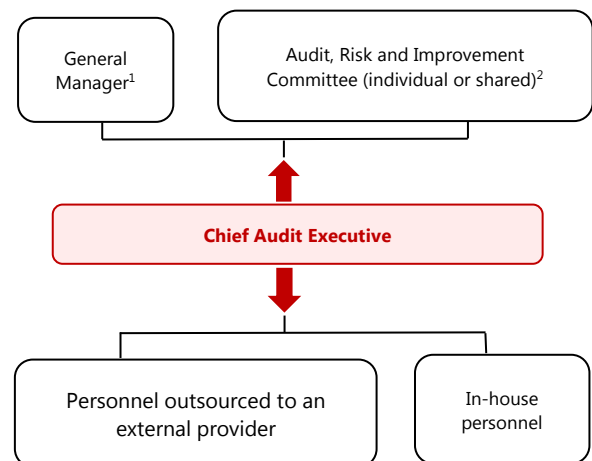


### **Core requirement 3:**

## **Establish an internal audit function mandated by an Internal Audit Charter**

- Each council is to establish an internal audit function
- The governing body is to ensure that the council's internal audit function is sufficiently resourced to carry out its work
- The governing body of the council is to assign administrative responsibility for internal audit to the general manager and include this in their employment contract and performance reviews
- 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

- The general manager is to ensure that, if required, the 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



<sup>1</sup> reports administratively (day-to-day processes and resources)

<sup>2</sup> reports functionally (strategic direction, accountability)

### **Core requirement 4:**

## **Appoint internal audit personnel and establish reporting lines**

- 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
- 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

### **Core requirement 5:**

## **Develop an agreed internal audit work program**

- 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
- The Chief Audit Executive is to develop an annual risk-based internal audit work plan, based on the strategic plan, to guide the 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

- The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed

## **Core requirement 6:**

### **How to perform and report internal audits**

- The Chief Audit Executive is to ensure that 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
- 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
- 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
- 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)

## **Core requirement 7:**

### **Undertake ongoing monitoring and reporting**

- The Audit, Risk and Improvement Committee is to be advised at each quarterly meeting of the internal audits

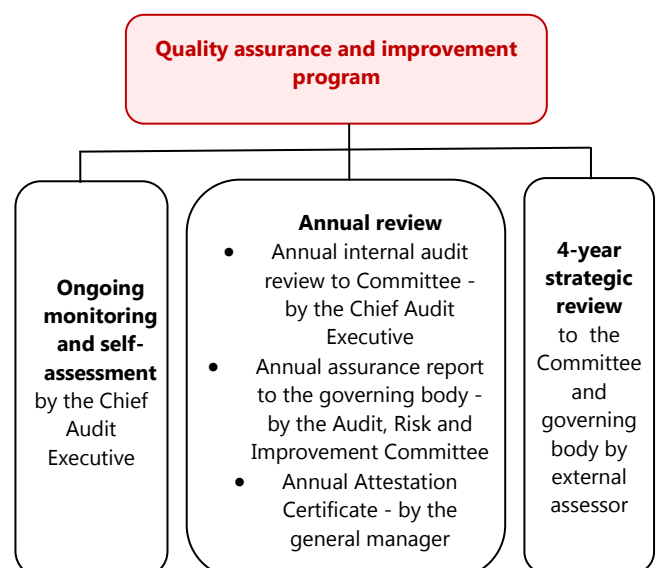
undertaken and progress made implementing corrective actions

- 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
- The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair

## **Core requirement 8:**

### **Establish a quality assurance and improvement program**

- 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
- The general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function



## **Core requirement 9:**

### **Councils can establish shared internal audit arrangements**

- 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
- 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
- The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements

### **Implementation timeline**

The transitional arrangements built into the Local Government Act mean that the requirement to have an Audit, Risk and Improvement Committee will not come into force until six months after the next ordinary elections in September 2020 at the earliest. Councils will therefore have until March 2021 to establish their committees.

It is proposed that councils will then have a further 18 months, until December 2022, to establish their internal audit function and risk management framework (guided by the Audit, Risk and Improvement Committee).

As these functions are bedded down and greater time and resources become available to the Audit, Risk and Improvement Committee and the council, the role of the committee is to broaden to comply with the

remaining requirements of sections 428A of the Local Government Act.

Full compliance with section 428A of the Local Government Act will be expected by 2026.

Councils with established Audit, Risk and Improvement Committees and mature risk management and internal audit functions will be encouraged to comply sooner.

#### **→ By March 2021**

Audit, Risk and Improvement Committee established and appointed (core requirement 1 or 9 for shared arrangements)

#### **→ By December 2022**

Risk management framework developed, including appointment of a Risk Management Coordinator (core requirement 2)

Internal audit function established, including employment of a Chief Audit Executive and personnel (core requirements 3-4 or 9 for shared arrangements)

#### **→ By 2024**

Risk management framework fully implemented throughout council and operating in compliance with regulatory requirements (core requirement 2)

Internal audit function fully implemented by the council and operating in compliance with regulatory requirements (core requirements 5-8)

#### **→ By 2026**

Audit, Risk and Improvement Committee's role expanded to include compliance, fraud control, financial management, governance, integrated planning and reporting, service reviews, performance measurement data and performance improvement in compliance with section 428A of the Local Government Act.





5 December 2019

Rowan Perkins  
General Manager  
Berrigan Shire Council  
56 Chanter Street  
**BERRIGAN NSW 2712**

Dear Rowan

Firstly, thank you again to yourself, the Mayor Matthew Hannan and Director of Corporate Services Matthew Hansen for taking the time to meet with us to continue to work through our options for funding our proposed Driving Range project at the Cobram Barooga Golf Club.

As has been previously communicated, this project is the priority for the Sporties Group and one that we are confident will provide a fantastic new attraction and activity for the residents of the Berrigan Shire area as well a critical new piece of tourism infrastructure that will grow visitation and support jobs.

Most importantly however, it will play a key role in the long-term sustainability and viability of the Cobram Barooga Golf Club, which with over 650 members is not only one of the strongest local sporting clubs from a member and participation perspective, but certainly amongst the Berrigan Shire's top 2 or 3 tourism attractions, not only directly providing valuable jobs but also playing a key role in supporting our accommodation, hospitality, other tourism providers and retail sectors.

As we have presented previously to Council, while not initially building the golf course, the Sporties Group via its members now funds a \$500,000 deficit each year in providing the golfing infrastructure and services to this tourism standard in recognition of how important it is to our community.

This is in addition to directly providing or supporting other community infrastructure and programs such as:

- Sporties Health and Fitness Centre, which includes the only indoor heated 25m pool in the municipality is the winter home to the Finley and Cobram Barooga Swimming Clubs, year-round swimming lessons, home to school swimming programs, warm water rehabilitation programs for aged people and people recovering from injury or illness and a suite of water based exercise classes that are patronized by older people from right across the municipality.
- Barooga Sports Bowls Club, which like the golf club, in addition to supporting local participation in physical activity is also a key support facility to other events and hosts two major tournaments each year the bring additional visitors to the region
- Indoor Bowls
- 2 Darts Clubs

Sporties Barooga  
ABN 96 001 757 491  
Burkinshaw Street (PO Box 138)  
Barooga NSW 3644  
P 03 5873 4448  
F 03 5873 4660  
E admin@sporties.com.au

Sporties Health & Fitness  
Snell Road  
Barooga NSW 3644  
P 03 5873 4644  
F 03 5873 4763  
E gym@sporties.com.au

Sporties Barooga Bowls  
Snell Road  
Barooga NSW 3644  
P 03 5873 4178  
F 03 5873 4182  
E barooga.bowls@bigpond.com

- Free morning melodies entertainment regularly attended by residents of aged-care and disability services venues from across the municipality.
- Significant support and investment into the Barooga Recreation Reserve, which like the golf club, in addition to supporting local participation in physical activity is maintained at a level that supports hosting state and national sports events a number of which, like the State and National Cricket carnivals spread to other reserves across the municipality.
- Partnering with or sponsoring more than 60 sporting or community groups and community infrastructure projects every year.

All up the Sporties Group invests over \$1m every year into providing these facilities and infrastructure.

This is something we are very proud of and is certainly our intent to be able to continue to play this role in the Berrigan Shire municipality and our community.

Rising costs and growing competition however mean that the Sporties Group like all others need to constantly grow and adapt. Our current level of investment is really not sustainable without us finding ways to create new revenue streams as well as efficiently and effectively manage our costs, all of which we are working diligently on.

Following an extensive strategic and master planning program, the Driving Range project has emerged as the priority project providing the best way forward for us to remain sustainable.

While historically the Sporties Group has been totally self-sufficient and fully funded all of its own projects, times and the environment has changed greatly and this is no-longer the case. However, in supporting the aforementioned activities, the more usual method of capital funding and development has been in partnership with government and there are many, many such examples of this occurring. Part of our evolution is to better understand and work in this framework.

The Sporties Group is in a position to provide \$500,000 towards the Range project.

We are working with the State and Federal Governments to raise the additional \$1.1m needed to deliver the \$1.6m project (\$550,000 State and \$600,000 Federal). Should we raise the required funds, based on the status of our planning, we are confident that the Range could be open and operating by this time next year.

Our meeting of the 4<sup>th</sup> was a follow on from previous communications and to seek clarity, direction and understanding of the Groups options in relation to grant funding. The meeting discussed the following 3 Federal grant opportunities:

**Sporties Barooga**  
 ABN 96 001 757 491  
 Burkinshaw Street (PO Box 138)  
 Barooga NSW 3644  
 P 03 5873 4448  
 F 03 5873 4660  
 E admin@sporties.com.au

**Sporties Health & Fitness**  
 Snell Road  
 Barooga NSW 3644  
 P 03 5873 4644  
 F 03 5873 4763  
 E gym@sporties.com.au

**Sporties Barooga Bowls**  
 Snell Road  
 Barooga NSW 3644  
 P 03 5873 4178  
 F 03 5873 4182  
 E barooga.bowls@bigpond.com

1. Building Better Regions Program – Round 4  
The project appears to fit the criteria of this program and we have strong support from the Federal Members for Farrer and Nichols. This project requires 50% matching funding, confirmed prior to application on the 19<sup>th</sup> December, with the project to be completed by 2022.
2. Murray Darling Basin Authority Economic Development Grant.  
This program also appears to match the project with applications due by January 20. The guidelines strongly recommend a maximum application of \$450,000. Based on our meeting, we acknowledge your advice to submit for \$600,000 under this program. Under this program the project must be completed by 30 April 2022.
3. Drought Communities Programme Extension  
Based on the guidelines, the Range project also appears to be a good fit with this program, it is also the least competitive of the rounds and therefore the lowest risk to not securing funding. From our meeting we understand that Council set direction for the allocation of funds from this program at its 20<sup>th</sup> November Council meeting and that based on Council's priorities the Range project has not been included.

As a not-for-profit community organisation based in Barooga, the Sporties Group strongly endorses the Council maximising every opportunity to attract the highest levels of investment and government funding available. It is also a reason the Group has strongly avoided directly requesting funding from the Berrigan Shire and focussed on other levels of Government.

In this context we understand, and agree that should the Range project be successful in being funded via either option 1 or 2 and the other projects proceed via the Drought Communities Programme extension this represents an excellent outcome for our community.

Applying under these two options does provide some challenges to the Sporties Group and we are asking for the assistance of the Berrigan Shire Council to help us to navigate through them.

We are asking Council to provide nominal/conditional funding of \$150,000 to the Sporties Group for the Range project, only required to be used in the following circumstances:

- A. Murray Darling Basin Authority Economic Development Grant.  
If we apply for \$600,000 and are successful in only being funded for the \$450,000 as identified as the preferred upper amount in the guidelines, the Council funding will bring the full funding equation back to a deliverable model.



**Sporties Barooga**  
ABN 96 001 757 491  
Burkinshaw Street (PO Box 138)  
Barooga NSW 3644  
P 03 5873 4448  
F 03 5873 4660  
E admin@sporties.com.au

**Sporties Health & Fitness**  
Snell Road  
Barooga NSW 3644  
P 03 5873 4644  
F 03 5873 4763  
E gym@sporties.com.au

**Sporties Barooga Bowls**  
Snell Road  
Barooga NSW 3644  
P 03 5873 4178  
F 03 5873 4182  
E barooga.bowls@bigpond.com

B. Building Better Regions Program

Based on the advice of the Federal members, we would apply for \$800,000 for this program matched by the Sporties Group in the application but including \$150,000 from the Berrigan Shire Council. Under this model the \$150,000 from Council would only be required if the State Funding did not eventuate. If the State funding is successful, it would not be required.

Our hope would be that Council's contribution would not end up being required, however, particularly with the Building Better Regions program, just having it as a back-up significantly improves our chances.

If it was required, we still trust it provides an excellent investment and use of the community's funds. These funds, less than 10% of the total project may well assist in the expedient delivery of a \$1.6m project in the area, funded in partnership between the Sporties Group, State and Federal Government, which is an excellent fit with the direction of the Barooga Town Plan and council's Economic and Industry Development Strategy 2017-2021 and Tourism Strategy 2019-2023.

We have been asked by Regional Development Victoria to collect stories of our role and impact in the community to support the financial parts of a submission we are making to them and I have attached one of the letters, from the Berrigan Racing Club, one of the 60 plus organisations we sponsor or support each year that really captures the essence of why the Sporties Group does what it does.

Should you require further information or wish to discuss further please don't hesitate to contact me

Yours Sincerely



Glen Brooks  
**President**

Sporties Barooga  
ABN 96 001 757 491  
Burkinshaw Street (PO Box 138)  
Barooga NSW 3644  
P 03 5873 4448  
F 03 5873 4660  
E admin@sporties.com.au

Sporties Health & Fitness  
Snell Road  
Barooga NSW 3644  
P 03 5873 4644  
F 03 5873 4763  
E gym@sporties.com.au

Sporties Barooga Bowls  
Snell Road  
Barooga NSW 3644  
P 03 5873 4178  
F 03 5873 4182  
E barooga.bowls@bigpond.com



**Berrigan & District Race Club Inc.**  
 PO Box 84 Berrigan NSW 2712  
 ABN 47 691 515 440

Mr Tony Tranter  
 Business Development Manager  
 Sporties Barooga  
 Burkinshaw Street  
 Barooga NSW 3644

November 2019

Dear Tony

The Berrigan Race Club committee ask that you pass on to your Board of Directors our sincere thanks for your ongoing support of our club which ensures our viability on a year by year basis.

We have just concluded another successful Berrigan Cup Carnival which brought 3-4000 visitors into our district. As a race club that only conducts 3 non-TAB meetings a year, we are regarded by Racing NSW as rather freakish that we seem to go from strength to strength despite the difficult times with which the economic and drought conditions confront us.

Any profits that we are able to generate depend pretty much on race day attendance. For our August and March meetings attendance is minimal and your annual sponsorship make it possible to continue these meetings. If we were to lose these meeting dates then our major Berrigan Cup date would be put in jeopardy and our communities the poorer for it.

The partnership that our respective not for profit organisations enjoy has huge implications for both the social fabric of our communities and the business opportunities that are generated by building on the repetitive annual functions that people come to expect and take part in. When Sporties Barooga are seen to support the Berrigan Race Club, lesser minor sponsors join in and together we are able to continue to build on our joint community involvement.

We look forward to continue to work closely with Barooga Sporties in the years ahead.

Yours sincerely,

<i>Geoff Swan</i>	President
<i>Carolyn Alexander</i>	Secretary/Manager
<i>Bill Daly</i>	Treasurer

Sporties Barooga  
 ABN 96 001 757 491  
 Burkinshaw Street (PO Box 138)  
 Barooga NSW 3644  
 P 03 5873 4448  
 F 03 5873 4660  
 E admin@sporties.com.au

Sporties Health & Fitness  
 Snell Road  
 Barooga NSW 3644  
 P 03 5873 4644  
 F 03 5873 4763  
 E gym@sporties.com.au

Sporties Barooga Bowls  
 Snell Road  
 Barooga NSW 3644  
 P 03 5873 4178  
 F 03 5873 4182  
 E barooga.bowls@bigpond.com



**statewide  
mutual.**

# ANNUAL REPORT

and financial statements for  
the year ended 30 June 2018

**Strength. Stability. Integrity.**



## Strength. Stability. Integrity.

Established in 1993, Statewide Mutual's remit was, and still is, to provide local government insurance coverage to NSW councils. Statewide Mutual's 25 years of unrivalled achievement has positioned it to continue to provide its Members with stable premiums during this challenging market.

Statewide Mutual's membership base has grown to include 115 Member councils across NSW to become Australia's largest member-owned local government self-insurance cooperative. The stability of our large membership base coupled with our ongoing long-term relationships with our underwriters means Statewide Mutual can consistently offer cost-effective premiums for new and existing Members.

The global insurance market continues to harden and challenges in the local government sector persist, but Statewide Mutual remains poised to deliver outstanding service for its Members.

# TABLE OF CONTENTS

Performance Summary	04
Chairman's Welcome	06
Executive Officer's Report	08
Claims and Risk Management Committee Report	12
Marketing Committee Report	14
Board Advocates	17
Exceeding Expectations	18
Financial Statements	20
Members	36





# PERFORMANCE SUMMARY

## Strength in numbers

The Mutual continues to deliver value and results for Members, despite the continued hardening of the insurance sector. Here is a snapshot of the Mutual's key metrics as at 30 June 2018.



Catherine Hill Bay, Lake Macquarie, New South Wales

**\$28 million**

Accumulated surpluses across all schemes

**\$10.9 million**

Net claims paid for the 2017/18 financial year

**\$2 million**

Surplus distributions for the 2017/18 financial year

**\$75.1 million**

Surplus distributions to Members since inception

**118**



Number of Members



## CHAIRMAN'S WELCOME

It gives me great pleasure to present the Statewide Mutual Annual Report for 2017/18. Here you will find not only the financial statements but an overview of the wonderful accomplishments of the Board and Committees.

This will be my final message as Chairman. I bid farewell with great sadness. I have had a tremendous time, enjoyed our fruitful discussions and debates and made some great friends during my five year tenure as Chairman of Statewide Mutual. We have an excellent Board and I am confident that I am leaving the Mutual and you, our Members, in good hands.

I would like to take this opportunity to highlight some of the many achievements of the Mutual during my time as Chairman of the Board. Statewide Mutual was formed over 20 years ago during a time of large premium increases and limited insurance availability for local government following some major judgements against councils in court. Since then, Statewide Mutual has continued to improve our market-leading offering based on the needs of our Members.

### Improving and Expanding our Offerings

During my time as Chair we have expanded our insurance offering from three insurance schemes to seven. We now offer insurance for motor vehicles, public liability, crime, environmental, property, fidelity and importantly, given our increasing reliance on technology, insurance for cyber activities.

Every year we have provided improved benefits for our Member Councils. We have enhanced our public liability insurance to ensure we offer the best and broadest cover. Statewide Mutual now includes drones and environmental protection and we have broadened the scope of professional indemnity insurance.

We also include flood cover in our property portfolio insurance scheme which is not offered by many other insurers, especially not at the level required by local government.

### Enhanced Marketing

As a Mutual, our ability to provide insurance for our Members is based on a stable membership base which I'm proud to say is one of the key features of Statewide Mutual. However, in an age of increasing requirements to test the market for each procurement, we need to continue to promote ourselves and our offerings so that we not only remain competitive but also remain visible in the marketplace.

To that end we've undertaken several marketing activities including:

- Established our annual Risk Management Conference 23 years ago which continues to grow from strength to strength each year. In 2018 our keynote presenter was Ray Chitty, the head of the insurance service for the local government within which the Grenfell Tower fire tragedy in London occurred. He provided a sobering presentation on the lessons learned concerning the in-house insurance response. We also heard presentations on strategic risk leadership, the risk challenges associated with community sport, steps to combat alcohol and river drownings and held several workshops and masterclasses covering such topics as resilience, various insurance aspects and asset management.
- Statewide Mutual was the elite sponsor of the Local Government NSW Awards These awards are held every year and recognise the outstanding achievements of councils and individuals within local government.
- Enhancing our website and Member Centre to ensure that it accurately reflects and promotes our insurance offering and services and provides Members with the ability to self-manage their accounts. Our website also provides news, case notes and general insurance advice that is available to all our website visitors, not just our Members.
- Holding a biannual strategy day to hone our overarching strategic plan and create tangible, actionable goals that outline a clear direction for the Board and transparency for our Members.

### The Board and Committees

Over the past ten years Statewide Mutual's Board has become increasingly diverse, bringing together broad skill sets and experiences available in local government to ensure the needs of individual regions are met while pursuing common goals to benefit all our Members.

We have had four members of the Board retire in the last year and I would like to thank Blair Hancock, Scott Phillips, Ross McCreanor and Guy McAnally-Elwin for their excellent service to Statewide Mutual and their support to me during my time as Chair. I would like to particularly acknowledge Ross's sterling contribution as Chair of the Finance Committee over the past five years and his previous terms as Deputy Chair.

We have welcomed Troy Green, Jason Linnane and Therese Manns onto the Board and welcomed back Roger Bailey after a period away from the Board. We also welcomed long-standing Board member Melissa McCoy to her new role as Chair of the Finance Committee. Their combined skills and experiences will be invaluable as we forge ahead into our next 20 years as a Mutual.

I would also like to acknowledge the efforts of our administrative staff – Leo Demer, Keely Autrey, Naamon Eurell, Vishal Balasundaram and Jessica Kerr. Without them, the jobs of all Board Members would be much more difficult – thank you all.

Finally, I would like to wish all our Members the best in their future endeavours. I will continue to follow the work of many of you with great interest.

I hope you find this Annual Report informative and reflective of the excellent value and service offered by Statewide Mutual that makes us an industry leader.

**BILL WARNE**

Chairman of the Board of Management

# EXECUTIVE OFFICER'S REPORT

It has once again been a great honour to administer Statewide Mutual. I have immensely enjoyed the opportunity to engage with our Members and Board, particularly in rural NSW.

Firstly, there has been a great reinvigoration of the Statewide Board and we were happy to welcome Troy Green (Tweed Shire Council), Jason Linnane (Singleton Council) and Therese Manns (Randwick City Council) onto the Board along with the recent return of Roger Bailey (Warrumbungle Shire Council). We thank our departing Board members Brian Bell (formerly of Lake Macquarie Council), Guy McAnally-Elwin (Gilgandra Council), Scott Phillips (former Sutherland Council) and the long-standing Chair of the Finance Committee Ross McCreanor (former North Sydney Council). We thank them for their outstanding contributions to Statewide Mutual.

As a Member, the turnover of the Board Members should provide great comfort that we are constantly reviewing how Statewide Mutual operates, augmenting the Board's comprehensive skill set and ensuring Statewide Mutual implements best practice processes to provide the optimal service for its Members.

## The transition of Insurance Markets

The insurance market is in transition. A few years ago, many insurers were looking to expand their business and provided competitive pricing to local government. However, in the current financial climate, the insurance industry is becoming more circumspect on the back of deteriorating operating margins. This phenomenon is affecting both the local and the London insurance market. Additionally, many of the underwriters who were marketed as an alternative to Statewide Mutual have withdrawn from the industry due to declining profits.

The insurance market tends to fluctuate between profitable and non-profitable cycles. The current cycle is known as a "hard market" where insurers tend to withdraw capacity or increase rates and limit covers that they may have previously offered.

Statewide Mutual itself is the ultimate hard market solution. Statewide Mutual's large aggregation of risk, utilisation of self-insurance and the bulk purchase of collective size premiums enables us to weather the changes due to market volatility much more easily than traditional insurance placements. Uniquely, it is the manner in which Statewide Mutual has functioned that provides Members with the greatest protection in the changing market.

Statewide Mutual has valued long-term sustainability, resisting the urge to move our business from one underwriter to another as a response to the fluctuating market. Instead, we negotiate premiums based on sound actuarial analysis and the use of our long-term relationships. It is now during these harder times that the true value of the Mutual is realised with our long-term underwriters continuing to value the loyalty and fairness shown by Statewide Mutual over the years.



**The Mutual's mission statement refers to "stable premiums, the spread of risk and cost containment" as its core purpose.**

## True Value of Security

I often hear the word "value" used in relation to insurance when what is intended is "price". The reality with insurance is that you can rarely predict the "true value" of the policy until you are faced with difficulties. Statewide Mutual sees "value" as the most cost-effective premium that provides the best claim response and whether the insurers will provide cover for the entirety of the risks faced by your council.

At present, I am being bombarded by calls from private certifiers who cannot obtain insurance cover for risks related to Aluminium Composite Cladding. When they enquire how Statewide Mutual can provide cover for our Members my simple answer is the 25-year loyal relationship with our reinsurers. Similarly, the insurance industry is withdrawing cover from waste facilities, particularly those that are involved in recycling. Once again, the aggregation and the relationship with insurers allow Statewide Mutual to continue to provide that coverage to our Members.

A Board Member said to me recently "Local government is a relationship business full of good people who are willing to help each other out." This sentiment is similar when we talk about insurance. It is about the relationships – a sense of trust between the insurer and the insured that both will act fairly towards each other. It is during the difficult times that such fairness bears fruit. Only Statewide Mutual can offer NSW councils such a long-standing and trusted relationship with the insurance industry.

## High Profile Claims

2018 has seen Statewide Mutual manage a number of high-profile claims. Many Members may be aware of the claim involving a collision between a kangaroo and a plane at the Kempsey Aerodrome where Statewide Mutual obtained a successful outcome on appeal. Conversely, we had a judgment in Council's favour overturned in relation to the escape of fire from a small rural tip which has the potential to cost in excess of \$10 million. We had also managed the high-profile case in which a plane crashed into the ferris wheel in Old Bar. It is understandable that underwriters are now interested to learn more about the risks associated with aerodromes.

As always, our Members have access to first-class legal services provided by Mills Oakley and Moray & Agnew. We thank them for their passion and commitment to providing the very best service and advice to our Members.

## Risk Initiatives

Statewide Mutual has transformed the process on how risk initiatives are made available to Members, giving each council greater freedom to determine their individual risk focus. Statewide Mutual's Regional Risk Managers and Account Managers continue to liaise with councils to ensure they obtain the greatest value from their program.

With Statewide Mutual's ongoing commitment to enhance our Members' experience and ease of understanding, we have updated our Member Centre to include new material and resources. If you have not visited the Member Centre recently I encourage you to logon and see how the new material can assist your Council.

## Our Commitment to You

I would especially like to pass my thanks to our great JLT/Statewide team. It may be difficult to envisage but we are not in any way simply a team sitting in a Sydney office. Our people in the Risk Management and Account Management teams are spread across our great state and spend most of their working days in your offices. Our people in the Sydney and London offices work tirelessly to ensure that we provide the very best outcomes for Members. The Sydney team who deliver the insurance placement, along with our representatives in London, are supported by our communications team led by Jessica Kerr. I would like to extend my thanks to our entire Statewide Mutual team – they are committed and passionate about what we do and that makes working with them very rewarding.

Finally, to our Membership – thank you for your continued support, in what at times has been trying circumstances. It has been a pleasure to be able to come and visit many of you in your towns over the past 12 months and I look forward to visiting many of you in the coming year.



**NAAMON EURELL**  
Executive Officer

# CLAIMS & RISK MANAGEMENT COMMITTEE REPORT

2018 has been another year in which Statewide Mutual has been supporting the needs of our Local Government Members. With each year new challenges and developments have been met to ensure that we grow and implement the best risk management practices and programs. In the past few years we have been challenged to explore risk management issues such as cyber security, fraud and corruption and their broader remit concerning risk in addition to their financial implications.

Fortunately, the last 12 months has not had the impact of devastating natural disasters such as the floods that occurred in 2017. 2018, however, did see smaller incidents such as hailstorm damage and the ongoing impacts due to the drought. In terms of insurance claims the drought has had a minor impact. However, it has affected our local councils economically as residents have had difficulty paying rates.

## Risk Initiative Program

For many years Statewide Mutual has funded specialist risk management programs as an added benefit to Members. Each program was offered for a fixed three year period. We were aware that the specialist programs may not have always aligned with the particular current needs of Members.

I am happy to announce that, from 1 July 2019, Members can now select from one of the ten specialist Board-funded initiatives based on their specific risk management priorities through our new Board Initiatives On-Demand program.

## Meeting with London Underwriters

The 2018 global insurance market was characterised by a year of insured losses resulting from several global catastrophic events (including hurricanes Florence and Michael, typhoons Jebi and Mangkhut and the Californian wildfires). Consequently, underwriters have started withdrawing capacity, increasing rates in liability, property and financial lines and becoming much more selective around 'high risk' activities or assets.

Earlier this year, the Board had 14 very productive presentations with Lloyd's of London underwriters which is part of the annual renewal placement for the Scheme.

Open market buyers outside the Mutual in the Australia and Pacific region have seen some of the largest premium rises in the world with increases of 16% on average last year. Due to Statewide Mutual's long-standing relationships with our London underwriters, we have managed to avoid such increases and negotiate our reinsurance terms for 2019/20 with an average increase of only 1.6%.

### GARY MURPHY

Chair of the Claims and Risk Committee  
CEO- Central Coast Council

Newcastle, NSW

## Insurance Review Program

Over the past few years, councils have been under pressure to ensure that their insurance premiums are the best value for money. It may seem beneficial in the short-term to go "out to market" to underwriters selling lower premiums. The advantage of Statewide Mutual is that your service team will review your insurance profile and ensure that your cover is appropriate for your risk level and that your excess and deductibles are suitable to safeguard your assets. Furthermore, Statewide Mutual provides the flexibility in allowing Members to modify as required by using the tools in the Member Centre.

## Risk and Audit Maturity Assessments

For many councils, the formation of an Internal Audit and Risk Committee will provide the largest opportunity for risk management improvements. Proposed legislative changes will require councils to establish an Audit, Risk and Improvement Committee by March 2021. In addition, the implementation of the Auditor-General for NSW as the auditor for all councils adds another level of scrutiny.

In 2018, 26 Member councils participated in a Statewide Mutual led Risk & Audit Maturity Assessment to gain knowledge on how their audit function performs against industry standards and the new legislative framework for internal audit. Feedback from this exercise will assist in the implementation of a new suite of resource materials for our Members.

## Contractor Insurance Management System (CIMS) Improvements

Statewide Mutual implemented CIMS in 2015 to assist councils to manage the risks associated with contractor under-insurance. Over the last six months Statewide Mutual, in concert with Members, reviewed the effectiveness of CIMS resulting in the decision to cease the support of CIMS as of 31 December 2019. Statewide Mutual is working with the CIMS provider and councils to minimise the disruption as councils transition to other platforms.

Statewide Mutual continues to provide support to councils to manage contractor risk management and will launch the following initiatives in the upcoming year:

- Improved contractor risk management material
- A Continuous Improvement Pathway (CIP) workbook on contractor risk management
- Contractor Risk Management Regional Workshops
- An 'on-demand' service for contractor risk management



Bondi Beach Sydney

# MARKETING COMMITTEE

The Marketing Committee was established in 2013 to develop marketing communications and to promote Statewide Mutual as the industry-leading expert in local government insurance. Over the last eight years the Marketing Committee has overseen several initiatives to promote Statewide Mutual as well as improve the overall experience for our Members.

It has given me great pleasure to work with the Statewide Mutual Marketing team in 2018.

## Risk Management Conference

Statewide Mutual's 22nd Risk Management Conference, which took place in August, was an important event in our calendar to provide collaborative opportunities for our Members. The conference covered a wide range of topics from risk challenges in community sport, to aerodromes and remote piloted aircraft as well as the enlightening viewpoint of Nick Feteris and his risk perspectives as a base jumper and parachutist. The workshop themes of "Developing Resilience", "Insurance Masterclass" and "Managing Assets" were well attended and provided delegates new knowledge and processes to implement in their councils.

One highlight of the Conference was the General Manager's Luncheon where key NSW decision makers were able to network and discuss risk management strategies. The forum participants also took part in interactive discussions lead by Ray Chitty (Head of Insurance Service for Royal Borough of Kensington and Chelsea; City of Westminster and London Borough of Hammersmith and Chelsea) and Gary Murphy (General Manager of Lismore City Council and incoming Chief Executive Officer of Central Coast Council from July 2018) where they shared strategies in dealing with the disastrous Grenfell Tower tragedy and Cyclone Debbie.

## Annual Risk Management Awards

The Statewide Mutual Risk Management Excellence Awards (RMEA) recognised the excellence and innovation by NSW Councils in risk management procedures. The awards were presented at the Risk Management Conference in August 2018 and showcase council risk success stories.

We are proud to acknowledge the 2018 awardees as follows:

### Winner of the 2018 Rural and Smaller Regional Councils (Population Under 30,000)

Singleton Council – Integrated Risk Management Team

### Winner of the 2018 Metropolitan and Larger Regional Councils (Population Over 30,000)

Port Stephens Council - 2017-18 Integrated Risk Management Framework Review

### Special Commendations:

- Singleton Council – Most Valuable Player
- Wagga Wagga City Council - Levee Bank Flood Gate Monitoring System
- Lake Macquarie City Council – Body Cameras for Waste Environment and Rangers

The **2018 AFM Scholarship** was awarded to Andrew Mason from Wagga Wagga City Council for his submission on how Wagga Wagga City Council improved its resilience through the application of an asset protection scheme considering the devastating floods that occurred in 2010.

### Marketing Committee Successes

2018 was another busy year for the Statewide Mutual marketing team as we continued to implement improved services for our Members.

Highlights include:

- Regional Risk Forums**  
 Regional Risk Forums are meetings held bi-monthly or quarterly presented by Members in each region to facilitate discussion of risk issues relevant for their region. The purpose of the risk forums is to promote information sharing, industry knowledge and increased risk awareness.
- Online Renewal Questionnaire Update**  
 Based on Members feedback we implemented several upgrades that allowed for easier delegation, approval from General Managers, the inclusion of brief descriptions, a new risk profile overview, a Continuous Improvement Pathway Program inclusion and a downloadable checklist. Each year the Statewide Mutual Marketing Committee seeks feedback so that we can continue to evolve to meet Member requirements.
- Member Centre Enhancements**  
 The Member Centre is a one-stop resource portal for councils and their staff. The Member Centre provides resources such as reference materials, presentations, reports, training modules and manuals that allow councils to tailor their systems to their unique needs.

As part of our continued service upgrades we have reviewed and updated claims processing and templates and will continue to evolve our tools for ease of use.

- Sponsorship**  
 The Statewide Mutual Marketing Committee attended and participated in several conferences and events on behalf of the Mutual including The Local Government NSW Annual Conference, the Local Government Week Awards Evening, the Institute of Public Works Engineering Australasia (IPWEA) Conference and the Local Government Property Professionals Conference in Tweed Shire Council local government area.

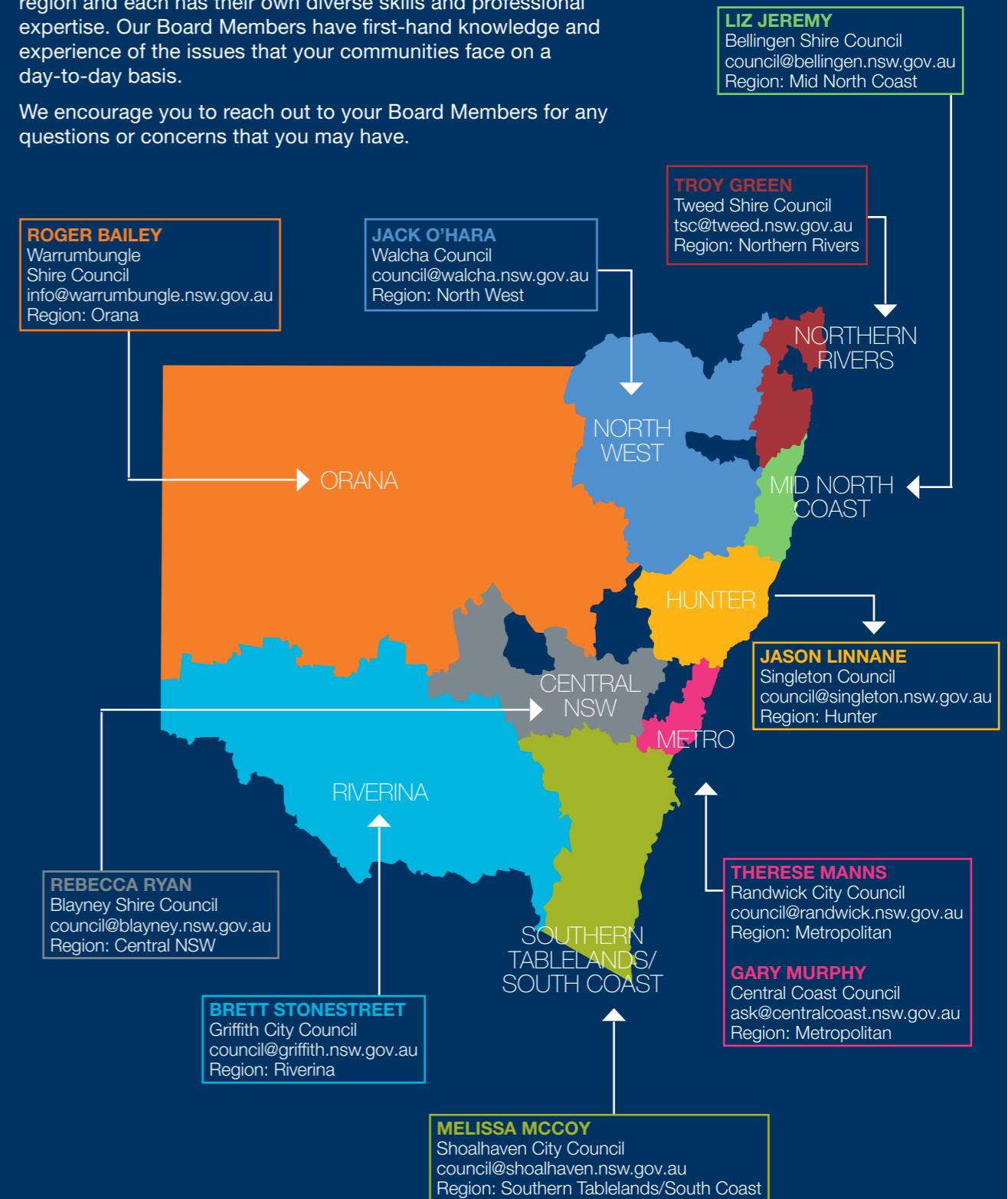
#### REBECCA RYAN

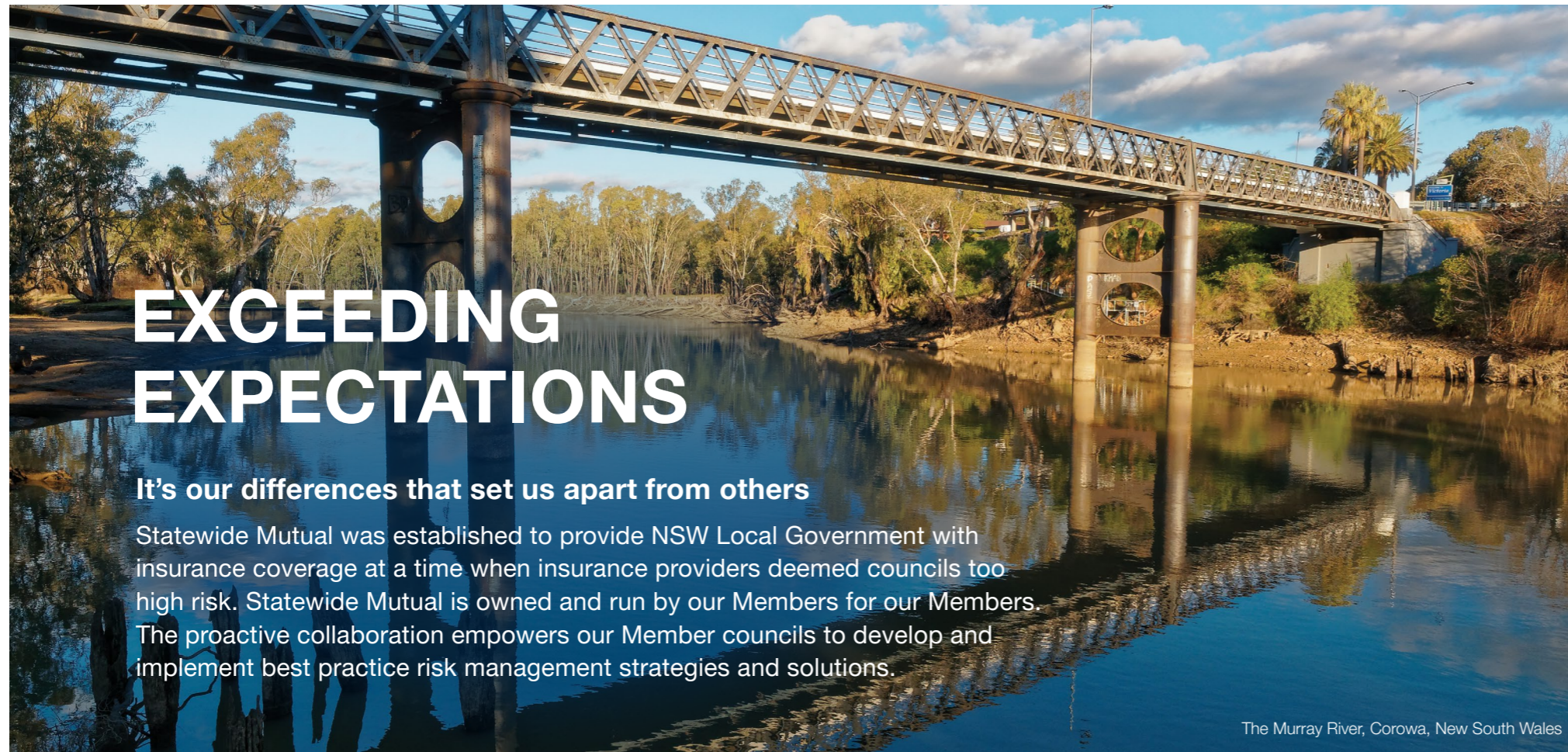
Chair of the Marketing Committee  
 General Manager - Blayney Shire Council

# BOARD MEMBERS YOUR ADVOCATES

One of the benefits of Statewide Mutual is that each and every Member has access to the advocate services provided by Board Members. Our Board Members work in local government in your region and each has their own diverse skills and professional expertise. Our Board Members have first-hand knowledge and experience of the issues that your communities face on a day-to-day basis.

We encourage you to reach out to your Board Members for any questions or concerns that you may have.





# EXCEEDING EXPECTATIONS

## It's our differences that set us apart from others

Statewide Mutual was established to provide NSW Local Government with insurance coverage at a time when insurance providers deemed councils too high risk. Statewide Mutual is owned and run by our Members for our Members. The proactive collaboration empowers our Member councils to develop and implement best practice risk management strategies and solutions.

The Murray River, Corowa, New South Wales

## INNOVATION

A new innovative initiative of the Board commenced in July 2019. The Board Initiatives On-Demand Program allows each Member to choose one Board-funded risk initiative per year. The Member will be provided with a 12-month program which will be tailor-made to meet the specific needs of the Council. The services on offer include:

- Business Continuity Management
- Climate Change Assessment
- Contractor Management
- Emergency Management Planning
- Enterprise Risk Management
- Fraud
- Insurable Risk Management
- Governance
- Environmental Risk Assessment
- Chain of Responsibility

Statewide Mutual's goal is to promote our Members to a high level of risk management maturity and to encourage further risk management activity within councils. This aim will create increased efficiencies within Local Government which will ultimately benefit the Statewide Mutual schemes.

## RESILIENCE

### Strength in numbers

There is strength in being Australia's largest local government self-insurance pool. Our large membership base provides Statewide Mutual with considerable buying power and the ability to negotiate terms for our Member schemes. Our size offers resilience for our Members in times of negative events and minimises catastrophic financial losses. Statewide Mutual Members can spread the risk and the impact from multi-million-dollar losses are absorbed amongst the membership base where smaller providers would experience significant consequences. The risk is diffused further as the NSW Liability Scheme is part of a national Local Government placement in the Lloyd's and London Market meaning the risk is spread over more than 500 councils nationwide.

## COLLABORATION

### Regional Risk Managers

One of the key differences that makes Statewide Mutual a leader in its field is the allocation of a Regional Risk Manager to each Member. The Regional Risk Manager provides guidance, support and mentoring to councils, either in person and / or remotely, on a wide range of services including training, onsite assistance, guidance, mentoring and on-call advice for council staff.

The ongoing education & training provided are an added benefit to membership that is unparalleled and assists Members to implement risk improvement procedures.

## GUIDANCE

### Board Members working for Members

The Statewide Mutual Board works exclusively for the interest and benefits of its Members, not for the advantage of a for-profit corporation. The Member-elected Board is comprised of senior level management representatives from all 11 regions in NSW. The Board is composed of a strong, diverse base of expertise derived from large metro councils, large regional centres and shire councils.

The Statewide Mutual Board governs the operations of the schemes with the assistance of insurance expertise from Jardine Lloyd Thompson Australia (JLTA). The Board's governance and decisions are transparent and available to all Members.

## FLEXIBILITY

### Individualised Risk Management Programs

Statewide Mutual understands that there is not a "one-size fits all" solution to local government insurance. We pride ourselves on accommodating the individual risk requirements of our Members—both big and small. Over our 25 years of providing the best service, we have seen our policy wordings evolve to meet future contingencies. Our large membership base allows us to prescribe bespoke policy wordings rather than underwriters defining our conditions. Statewide Mutual also provides innovative schemes catering to the wide-ranging and changing insurance needs of our Members. In recent years we have added to our schemes with drone cover and cyber insurance.

## SUPPORT

Statewide Mutual promotes the ongoing education and support of its Members to ensure that Local Government implements best practice risk management policies.

The **Risk Management Program** is the foundation of Statewide Mutual's support that is aimed to reduce incidences thereby reducing claim costs while improving the safety of our Members' councils for residents and visitors.

The **Member Centre** is a one-stop web-based portal of invaluable resources for councils and their staff.

**Mock Trials** provide council staff with real-life experience of claims court procedures to provide invaluable advice and understanding to enable council staff to develop policies, procedures and documentation required to successfully defend claims.

**Specialised Legal Advice** is available to Members via our experienced providers Mills Oakley and Moray & Agnew.



# FINANCIAL STATEMENTS

For The Year Ended 30 June 2018

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
Member Contributions	85,109,371	95,343,189
Outward Reinsurance Expense	(71,761,253)	(74,171,207)
Reinsurance Profit Share	6,482,061	2,189,463
Claims Expense (Note 7)	(6,949,467)	(14,686,716)
Other Scheme Expenses (Note 8)	(13,055,468)	(13,609,911)
Excess of contributions and reinsurance profit share over claims and related expenses	(174,756)	(4,935,183)
Investment Income	1,273,799	1,495,571
General Expenses (Note 8)	(3,825,956)	(1,772,305)
<b>SURPLUS FROM ORDINARY ACTIVITIES</b>	<b>(2,726,913)</b>	<b>(5,211,916)</b>
<b>ACCUMULATED SURPLUS</b>		
Accumulated Surplus at the beginning of the year	32,744,607	41,956,523
Operating Surplus from Ordinary Activities	(2,726,913)	(5,211,916)
Current year Surplus Distribution	(2,000,000)	(4,000,000)
<b>ACCUMULATED SURPLUS</b>	<b>28,017,694</b>	<b>32,744,607</b>

The accompanying notes form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	2018 \$	2017 \$
<b>CURRENT ASSETS</b>		
Cash Assets (Note 5)	3,622,284	8,528,231
Receivables (Note 6)	102,903,162	98,351,654
Reinsurance Recoveries (Note 6)	42,117,643	34,886,251
Non Reinsurance Recoveries (Note 6)	507,441	507,441
Provision for Doubtful Debts (Notes 6)	(507,441)	(507,441)
Investments	38,315,000	41,015,000
	<b>186,958,089</b>	<b>182,781,136</b>
<b>NON-CURRENT ASSETS</b>		
Reinsurance Recoveries (Note 6)	93,649,851	83,639,140
	93,649,851	83,639,140
<b>TOTAL ASSETS</b>	<b>280,607,940</b>	<b>266,420,276</b>
<b>CURRENT LIABILITIES</b>		
Creditors and Accrued Expenses	13,966,056	12,957,881
Outstanding Claims (Note 10)	55,146,078	46,124,429
Unearned Contributions	88,671,987	84,112,128
	<b>157,784,121</b>	<b>143,194,437</b>
<b>NON-CURRENT LIABILITIES</b>		
Outstanding Claims (Note 10)	94,806,126	90,481,232
<b>TOTAL LIABILITIES</b>	<b>252,590,247</b>	<b>233,675,669</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>28,017,694</b>	<b>32,744,607</b>
<b>MEMBERS EQUITY</b>		
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>	<b>28,017,694</b>	<b>32,744,607</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipt of contributions from members (including advance contributions & GST)	84,933,348	95,462,700
Receipt of Profit Share	6,482,061	2,189,463
Claims payments (net of recoveries)	(10,001,063)	(12,282,085)
Outward Reinsurance Payment	(71,866,863)	(74,362,507)
Payment of other expenses	(16,348,550)	(16,513,832)
Interest received	1,195,122	1,738,804
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>(5,605,945)</b>	<b>(3,767,457)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Surplus Distribution	(2,000,000)	(4,000,000)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(2,000,000)</b>	<b>(4,000,000)</b>
<b>NET CASH FLOWS</b>	<b>(7,605,945)</b>	<b>(7,767,457)</b>
Cash at the beginning of the year	49,543,231	57,310,688
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>(7,605,945)</b>	<b>(7,767,457)</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>41,937,284</b>	<b>49,543,231</b>
<b>RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR.</b>		
Operating Result for the year	(2,726,913)	(5,211,916)
(Increase) / Decrease in Receivables	(4,551,508)	4,285,330
(Decrease) / Increase in Creditors & Accrued Expenses	1,008,174	(414,954)
Decrease / (Increase) in Reinsurance Recoveries	(17,242,101)	11,744,981
(Decrease) / Increase in Outstanding Claims Provisions	13,346,543	(8,273,620)
(Decrease) / Increase in Unearned Contributions	4,559,859	(5,897,278)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(5,605,945)</b>	<b>(3,767,457)</b>

The accompanying notes form an integral part of these Financial Statements.

## STATEWIDE MUTUAL IS A MEMBER OWNED SELF-INSURANCE POOL, PROVIDING INSURANCE COVER TO LOCAL GOVERNMENT AUTHORITIES IN NEW SOUTH WALES

### 1. SIGNIFICANT ACCOUNTING POLICIES

Statewide Mutual is a member owned self-insurance pool, providing insurance cover to Local Government Authorities in New South Wales.

The address of Statewide Mutual's principal place of business is Level 37, 225 George Street, Sydney NSW 2000.

The principal accounting policies adopted by Statewide Mutual in respect of the Liability Scheme, the Crime Scheme, the Property Mutual Scheme, the Councillors and Officers Scheme, and the Motor Vehicle Scheme are stated to assist in a general understanding of these financial statements and have been consistently applied during the year.

The financial statements have been made out in accordance with the requirements in the Deed of Establishment dated 22 March 1994, and the accounting policies described below.

#### A. ACCOUNTING BASIS

The directors have prepared the financial statements on the basis that Statewide Mutual is a non reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of the members. Such accounting policies are consistent with the previous period unless stated otherwise.

The amounts in the financial statements have been rounded off to the nearest dollar, unless otherwise stated.

The financial report is presented in Australian Dollars, Statewide Mutual's functional currency.

#### B. CONTRIBUTIONS

Contributions comprise amounts charged to members of the Schemes for policy cover. The earned portion of contributions received is recognised as revenue. Contributions are earned from the date of attachment of risk.

All contributions received, except for amounts received in advance were fully earned at balance date. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

Contributions are recognised net of the amount of goods and services tax (GST). Receivables are stated with the amount of GST included. The amount of GST payable to the Australian Tax Office (ATO) is recognised as a current liability in the Statement of Financial Position.

#### C. CLAIMS

Outstanding claims for each scheme is determined as follows and are exclusive of claims handling expense. The cost of claims administration are payable by members as a separate fee and hence no allowance is made for future fees in the liabilities for outstanding claims.

#### LIABILITY AND COUNCILLORS AND OFFICERS SCHEMES

Claims incurred expense and a liability for outstanding claims are recognised in respect of business written during the period. The liability covers claims incurred but not yet paid, incurred but not reported claims, and the anticipated costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating un-notified claims and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The outstanding claims liability for the Liability and Councillors and Officers Schemes have been set having regard to independent actuarial advice.

The outstanding claims for the Councillors and Officers Scheme reflects the liabilities attributable to claims made since 2016. The claims made in years 2014 and 2015 were fully reinsured and those claims are managed by the reinsurer. The claims and corresponding reinsurance recoveries with respect to 2014 and 2015 for the Councillors and Officers scheme have been calculated, recorded and reported in the financial statements on a net basis.

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to a present value at the reporting date using risk free discount rates. The discount recognised is limited to interest income that can be earned on cash and other financial assets held by the Liability and Councillors and Officers Schemes.

#### PROPERTY SCHEME

The outstanding claims liability for the Property Scheme has been set by management estimates with regards to the current notified claims and the aggregate level for the scheme before reinsurance.

#### MOTOR VEHICLE SCHEME

The Motor Vehicle scheme is fully reinsured and all claims are managed by their insurer. The claims and corresponding reinsurance recoveries on these schemes have been calculated, recorded and reported in the financial statements on a net basis.

#### CRIME SCHEME

The outstanding claims liability for the Crime Scheme has been set based on the value of notified claims adjusted for paid claims plus an allowance for incurred but not reported claims.

#### D. INVESTMENTS

Investments comprise of primarily cash on deposit with banks with original maturity in excess of 90 days. Cash on deposit with banks are carried at the face value of the amounts deposited. The carrying amounts of cash on deposit approximates fair value.

#### E. NON REINSURANCE RECOVERIES

The non reinsurance recoveries represents recoveries pursued against third parties as a result of claims previously paid by Statewide. The recoveries of such claims are generally litigious and can take considerable time to collect. As such, recoveries are only recognised when the amount is certain to be recovered.

#### F. CASHFLOWS

For the purpose of the statements of cash flows, cash includes cash at bank, deposits held at call with banks, and other short term deposits which have been classified as investments on the Statement of Financial Position.

#### G. EXCESS AND RECOVERIES

When claim payments made by the Schemes include excesses (or part thereof) recoverable from Members, excesses due at balance date are brought to account as recoveries outstanding.

#### H. TAXATION

The Scheme operates as a trust in accordance with existing Australian tax law and intends to distribute all its taxable income (investment income) to beneficiaries. Accordingly, no provision for income tax has been made.

### 2. ACCOUNTING ESTIMATES AND JUDGEMENTS

#### A. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Finance Committee the development, selection and disclosure of the Scheme's critical accounting policies and estimates and the application of these policies and estimates.

#### B. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key area of estimation uncertainty for the Schemes are in its estimation of outstanding claims, reinsurance recoveries and profit commissions.

#### OUTSTANDING CLAIMS

The outstanding claims provision comprises the central estimate and a risk margin which is added to the central estimate to achieve a desired probability of adequacy. The outstanding claim provision is discounted to reflect the time value of money.

A central estimate is an estimate of the level of claims provision that is intended to contain no intentional under or over estimation. A risk margin is added to the central estimate of outstanding claims in order to increase the probability that the estimates will be adequate.

Central estimates for each Scheme is determined by reference to a variety of estimation techniques. For the Liability and Councillors and Officers Schemes these are based on actuarial analysis of historical experience and assume an underlying pattern of claims development and payment. The final selected central estimates are based on a judgmental consideration of the results of each method and other qualitative information. Qualitative information might include for example, the class of business, the maturity of the portfolio and the expected term to settlement of the class. Projections are based on both historical experience and external benchmarks where relevant. The Property and Crime Schemes are based on managements estimations based on current notified claims and the aggregate before reinsurance.

#### Reinsurance Recoveries

Central estimates are calculated gross of any reinsurance and non-reinsurance recoveries. A separate estimate is made of the amounts recoverable from reinsurers and other parties.

The nature of the liability claims for which Statewide Mutual provides cover is such that they can take many years to settle with related "Excess Layer" reinsurance recoveries not falling due for payment until the primary claim has been finalised.

#### Reinsurance Profit Commissions

From 2004 the Scheme has participated in a national reinsurance programme which covers Statewide Mutual and similar schemes in other states. The reinsurance treaty includes a profit commission clause which pays a profit commission to the member schemes after 10 years if premium paid to reinsurers exceed the ultimate claims paid by the schemes in the relevant underwriting year.

The reinsurance profit commission represents the present value of the projected surplus on the 2004 to 2007 Liability Fund years. The entitlement to profit commission is sensitive to future claims expense on the 2008 to 2013 Fund Years, the cumulative national claims experience and the interest rate movements over the next 10 years.

The profit commissions are accounted for on a cash basis and therefore only accounted for when they are received.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 3. REVENUE AND EXPENSES

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
Member Contributions	1,411,462	35,463,912	27,537,700	4,946,773	15,749,523	85,109,371
Outward Reinsurance Expense	(1,269,000)	(34,479,463)	(17,363,266)	(2,900,000)	(15,749,523)	(71,761,253)
Reinsurance Profit Share	-	6,482,061	-	-	-	6,482,061
Claims Expense (Note 7)	159,298	76,789	(6,213,145)	(972,409)	-	(6,949,467)
Other Scheme Expenses (Note 8)	(119,751)	(7,247,620)	(4,940,231)	(747,866)	-	(13,055,468)
Excess of contributions and reinsurance profit share over claims and related expenses	182,009	295,679	(978,941)	326,498	-	(174,756)
Investment Income	38,938	433,067	753,854	47,941	-	1,273,799
General Expenses (Note 8)	(10,933)	(3,053,230)	(716,654)	(45,140)	-	(3,825,956)
<b>SURPLUS FROM ORDINARY ACTIVITIES</b>	<b>210,014</b>	<b>(2,324,485)</b>	<b>(941,742)</b>	<b>329,299</b>	<b>-</b>	<b>(2,726,913)</b>
<b>ACCUMULATED SURPLUS</b>						
Accumulated Surplus at the beginning of the year	1,362,685	18,202,236	13,179,686	0	(0)	32,744,607
Operating Surplus from Ordinary Activities	210,014	(2,324,485)	(941,742)	329,299	-	(2,726,913)
Assistance to/from Councillors and Officers Scheme	-	329,299	-	(329,299)	-	-
Current year Surplus Distribution	-	(2,000,000)	-	-	-	(2,000,000)
<b>ACCUMULATED SURPLUS</b>	<b>1,572,699</b>	<b>14,207,050</b>	<b>12,237,944</b>	<b>0</b>	<b>(0)</b>	<b>28,017,694</b>

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
Member Contributions	1,380,138	40,578,603	32,904,591	5,324,931	15,154,926	95,343,189
Outward Reinsurance Expense	(1,225,000)	(34,996,130)	(19,259,920)	(3,519,000)	(15,171,157)	(74,171,207)
Reinsurance Profit Share	-	2,189,463	-	-	-	2,189,463
Claims Expense (Note 7)	(216,056)	(208,595)	(12,083,904)	(2,178,161)	-	(14,686,716)
Other Scheme Expenses (Note 8)	(118,131)	(7,121,466)	(5,571,575)	(798,740)	-	(13,609,911)
Excess of contributions and reinsurance profit share over claims and related expenses	(179,049)	441,875	(4,010,808)	(1,170,969)	(16,231)	(4,935,183)
Investment Income	42,223	478,779	942,410	32,159	-	1,495,571
General Expenses (Note 8)	(4,576)	(2,345,293)	605,618	(28,055)	-	(1,772,305)
<b>SURPLUS FROM ORDINARY ACTIVITIES</b>	<b>(141,403)</b>	<b>(1,424,638)</b>	<b>(2,462,779)</b>	<b>(1,166,865)</b>	<b>(16,231)</b>	<b>(5,211,916)</b>
<b>ACCUMULATED SURPLUS</b>						
Accumulated Surplus at the beginning of the year	1,504,088	22,793,739	17,642,465	0	16,231	41,956,523
Operating Surplus from Ordinary Activities	(141,403)	(1,424,638)	(2,462,779)	(1,166,865)	(16,231)	(5,211,916)
Assistance to Councillors and Officers Scheme	-	(1,166,865)	-	1,166,865	-	-
Current year Surplus Distribution	-	(2,000,000)	(2,000,000)	-	-	(4,000,000)
<b>ACCUMULATED SURPLUS</b>	<b>1,362,685</b>	<b>18,202,236</b>	<b>13,179,686</b>	<b>0</b>	<b>(0)</b>	<b>32,744,607</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 4. FINANCIAL POSITION

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
<b>CURRENT ASSETS</b>						
Cash Assets (Note 5)	265,399	1,696,226	1,489,022	171,636	-	3,622,284
Receivables (Note 6)	1,632,256	41,823,938	33,946,558	7,002,501	18,497,909	102,903,162
Reinsurance Recoveries (Note 6)	-	33,946,524	7,916,120	255,000	-	42,117,643
Non Reinsurance Recoveries (Note 6)	-	507,441	-	-	-	507,441
Provision for Doubtful Debts (Notes 6)	-	(507,441)	-	-	-	(507,441)
Investments	1,315,000	11,500,000	33,750,000	1,750,000	-	38,315,000
	<b>3,212,655</b>	<b>88,966,688</b>	<b>67,101,699</b>	<b>9,179,137</b>	<b>18,497,909</b>	<b>186,958,089</b>
<b>NON-CURRENT ASSETS</b>						
Reinsurance Recoveries (Note 6)	-	93,649,851	-	-	-	93,649,851
Receivables (Note 6)	-	-	-	-	-	-
	-	<b>93,649,851</b>	-	-	-	<b>93,649,851</b>
<b>TOTAL ASSETS</b>	<b>3,212,655</b>	<b>182,616,539</b>	<b>67,101,699</b>	<b>9,179,137</b>	<b>18,497,909</b>	<b>280,607,940</b>
<b>CURRENT LIABILITIES</b>						
Creditors and Accrued Expenses	159,152	6,987,199	4,501,502	535,232	1,782,971	13,966,056
Outstanding Claims (Note 10)	12,550	31,297,119	21,092,103	2,744,305	-	55,146,078
Unearned Contributions	1,468,254	36,233,813	29,270,150	4,984,831	16,714,939	88,671,987
Accrued Surplus Distributions	-	-	-	-	-	-
	1,639,956	74,518,131	54,863,754	8,264,369	18,497,909	157,784,121
<b>NON-CURRENT LIABILITIES</b>						
Outstanding Claims (Note 10)	-	93,891,358	-	914,768	-	94,806,126
<b>TOTAL LIABILITIES</b>	<b>1,639,956</b>	<b>168,409,488</b>	<b>54,863,754</b>	<b>9,179,137</b>	<b>18,497,909</b>	<b>252,590,247</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,572,699</b>	<b>14,207,051</b>	<b>12,237,945</b>	<b>0</b>	<b>0</b>	<b>28,017,693</b>
<b>MEMBERS EQUITY</b>						
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>	<b>1,572,699</b>	<b>14,207,053</b>	<b>12,237,944</b>	<b>0</b>	<b>(0)</b>	<b>28,017,694</b>

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
<b>CURRENT ASSETS</b>						
Cash Assets (Note 5)	390,088	4,626,168	3,277,062	234,913	-	8,528,231
Receivables (Note 6)	1,544,949	41,918,553	30,495,211	7,237,970	17,154,971	98,351,654
Reinsurance Recoveries (Note 6)	157,000	29,485,486	5,243,765	-	-	34,886,251
Non Reinsurance Recoveries (Note 6)	-	507,441	-	-	-	507,441
Provision for Doubtful Debts (Notes 6)	-	(507,441)	-	-	-	(507,441)
Investments	1,315,000	12,500,000	26,200,000	1,000,000	-	41,015,000
	<b>3,407,037</b>	<b>88,530,207</b>	<b>65,216,038</b>	<b>8,472,883</b>	<b>17,154,971</b>	<b>182,781,136</b>
<b>NON-CURRENT ASSETS</b>						
Reinsurance Recoveries (Note 6)	-	83,639,140	-	-	-	83,639,140
Receivables (Note 6)	-	-	-	-	-	-
	-	<b>83,639,140</b>	-	-	-	<b>83,639,140</b>
<b>TOTAL ASSETS</b>	<b>3,407,037</b>	<b>172,169,346</b>	<b>65,216,038</b>	<b>8,472,883</b>	<b>17,154,971</b>	<b>266,420,276</b>
<b>CURRENT LIABILITIES</b>						
Creditors and Accrued Expenses	278,764	6,284,577	4,331,347	510,655	1,552,538	12,957,881
Outstanding Claims (Note 10)	374,633	21,121,023	21,550,106	3,078,667	-	46,124,429
Unearned Contributions	1,390,956	36,080,280	26,154,898	4,883,561	15,602,433	84,112,128
Accrued Surplus Distributions	-	-	-	-	-	-
	2,044,353	63,485,879	52,036,351	8,472,883	17,154,971	143,194,437
<b>NON-CURRENT LIABILITIES</b>						
Outstanding Claims (Note 10)	-	90,481,232	-	-	-	90,481,232
<b>TOTAL LIABILITIES</b>	<b>2,044,353</b>	<b>153,967,111</b>	<b>52,036,351</b>	<b>8,472,883</b>	<b>17,154,971</b>	<b>233,675,669</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,362,685</b>	<b>18,202,236</b>	<b>13,179,686</b>	<b>-</b>	<b>0</b>	<b>32,744,607</b>
<b>MEMBERS EQUITY</b>						
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>	<b>1,362,685</b>	<b>18,202,236</b>	<b>13,179,686</b>	<b>0</b>	<b>(0)</b>	<b>32,744,607</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 5. CASH FLOWS

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipt of contributions from members (including advance contributions & GST)	1,411,462	35,603,186	27,358,347	4,943,080	15,617,272	84,933,348
Receipt of Profit Share	-	6,482,061	-	-	-	6,482,061
Claims payments (net of recoveries)	(45,212)	(552,252)	(9,107,057)	(296,542)	-	(10,001,063)
Outward Reinsurance Payment	(1,269,000)	(34,585,073)	(17,363,266)	(2,900,000)	(15,749,523)	(71,866,863)
Payment of other expenses	(258,000)	(9,295,860)	(5,819,184)	(1,107,756)	132,251	(16,348,550)
Interest received	36,061	417,995	693,125	47,941	-	1,195,122
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>(124,689)</b>	<b>(1,929,943)</b>	<b>(4,238,036)</b>	<b>686,723</b>	<b>(0)</b>	<b>(5,605,945)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Surplus Distribution	-	(2,000,000)	-	-	-	(2,000,000)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>(2,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,000,000)</b>
<b>NET CASH FLOWS</b>	<b>(124,689)</b>	<b>(3,929,943)</b>	<b>(4,238,036)</b>	<b>686,723</b>	<b>(0)</b>	<b>(7,605,945)</b>
Cash at the beginning of the year	1,705,089	17,126,166	29,477,064	1,234,913	(0)	49,543,231
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>(124,689)</b>	<b>(3,929,943)</b>	<b>(4,238,036)</b>	<b>686,723</b>	<b>(0)</b>	<b>(7,605,945)</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>1,580,400</b>	<b>13,196,222</b>	<b>25,239,026</b>	<b>1,921,636</b>	<b>(0)</b>	<b>41,937,284</b>

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipt of contributions from members (including advance contributions & GST)	1,380,138	40,593,661	32,991,951	5,317,490	15,179,459	95,462,700
Receipt of Profit Share	-	2,189,463	-	-	-	2,189,463
Claims payments (net of recoveries)	60,325	(1,886,284)	(9,895,937)	(560,189)	-	(12,282,085)
Outward Reinsurance Payment	(1,225,000)	(35,187,430)	(19,259,920)	(3,519,000)	(15,171,157)	(74,362,507)
Payment of other expenses	(125,756)	(9,183,829)	(6,370,415)	(825,530)	(8,302)	(16,513,832)
Interest received	37,623	604,463	1,064,561	32,159	-	1,738,805
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>127,330</b>	<b>(2,869,957)</b>	<b>(1,469,760)</b>	<b>444,930</b>	<b>(0)</b>	<b>(3,767,457)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Surplus Distribution	-	(2,000,000)	(2,000,000)	-	-	(4,000,000)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>-</b>	<b>-</b>	<b>(4,000,000)</b>
<b>NET CASH FLOWS</b>	<b>127,330</b>	<b>(4,869,957)</b>	<b>(3,469,760)</b>	<b>444,930</b>	<b>(0)</b>	<b>(7,767,457)</b>
Cash at the beginning of the year	1,577,758	21,996,122	32,946,825	789,983	-	57,310,689
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>127,330</b>	<b>(4,869,957)</b>	<b>(3,469,760)</b>	<b>444,930</b>	<b>(0)</b>	<b>(7,767,457)</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>1,705,089</b>	<b>17,126,166</b>	<b>29,477,064</b>	<b>1,234,913</b>	<b>(0)</b>	<b>49,543,232</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 5. CASH FLOWS (CONTINUED)

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
<b>RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR</b>						
Operating Result for the year	210,014	(2,324,485)	(941,742)	329,299	-	(2,726,913)
<b>NON-CASH ITEMS</b>						
Assistance to/from Councillors and Officers Scheme	-	329,299	-	(329,299)	-	-
<b>MOVEMENT IN OPERATING ASSETS AND LIABILITIES</b>						
(Increase) / Decrease in Receivables	(87,306)	94,614	(3,451,346)	235,469	(1,342,938)	(4,551,508)
(Decrease) / Increase in Creditors & Accrued Expenses	(119,612)	702,622	170,155	24,577	230,433	1,008,174
(Increase) / Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease / (Increase) in Reinsurance Recoveries	157,000	(14,471,749)	(2,672,352)	(255,000)	-	(17,242,101)
(Decrease) / Increase in Provisions for Doubtful Debts	-	-	-	-	-	-
(Decrease) / Increase in Outstanding Claims Provisions	(362,082)	13,586,222	(458,003)	580,406	-	13,346,543
(Decrease) / Increase in Unearned Contributions	77,298	153,533	3,115,252	101,271	1,112,506	4,559,859
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(124,689)</b>	<b>(1,929,943)</b>	<b>(4,238,036)</b>	<b>686,723</b>	<b>(0)</b>	<b>(5,605,945)</b>

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
<b>RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR</b>						
Operating Result for the year	(141,403)	(1,424,638)	(2,462,779)	(1,166,865)	(16,231)	(5,211,916)
<b>NON-CASH ITEMS</b>						
Assistance to/from Councillors and Officers Scheme	-	(1,166,865)	-	1,166,865	-	-
<b>MOVEMENT IN OPERATING ASSETS AND LIABILITIES</b>						
(Increase) / Decrease in Receivables	(58,707)	1,744,445	4,577,121	(1,072,405)	(905,124)	4,285,330
(Decrease) / Increase in Creditors & Accrued Expenses	135,858	1,207,292	(1,821,862)	(19,587)	83,345	(414,954)
(Increase) / Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease / (Increase) in Reinsurance Recoveries	(60,000)	13,213,767	(1,408,786)	-	-	11,744,981
(Decrease) / Increase in Provisions for Doubtful Debts	-	-	-	-	-	-
(Decrease) / Increase in Outstanding Claims Provisions	202,914	(14,015,234)	3,793,265	1,745,433	-	(8,273,620)
(Decrease) / Increase in Unearned Contributions	48,668	(2,428,723)	(4,146,721)	(208,511)	838,010	(5,897,278)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>127,330</b>	<b>(2,869,957)</b>	<b>(1,469,761)</b>	<b>444,930</b>	<b>(0)</b>	<b>(3,767,457)</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 6. RECEIVABLES

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
Recoveries outstanding	-	322,009	823,480	97,201	-	1,242,690
Accrued interest	18,250	111,918	310,157	-	-	440,325
Prepayment	(0)	328,677	(0)	-	-	328,677
Prepayment GST	-	-	-	-	-	-
GST debtors	-	101,960	8,658	13,552	15	124,185
Debtors Sundry	-	1,255,550	0	1,400,435	-	2,655,985
Debtors	1,614,006	39,703,824	32,804,263	5,491,313	18,497,894	98,111,300
	<b>1,632,256</b>	<b>41,823,938</b>	<b>33,946,558</b>	<b>7,002,501</b>	<b>18,497,909</b>	<b>102,903,162</b>
Non reinsurance recoveries – current	-	507,441	-	-	-	507,441
Reinsurance recoveries – current	-	33,946,524	7,916,120	255,000	-	42,117,643
Reinsurance recoveries – non current	-	93,649,851	-	-	-	93,649,851
Provision for Doubtful Debts – current	-	(507,441)	-	-	-	(507,441)
Provision for Doubtful Debts – non current	-	-	-	-	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,632,256</b>	<b>169,420,312</b>	<b>41,862,677</b>	<b>7,257,501</b>	<b>18,497,909</b>	<b>238,670,656</b>

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
Recoveries outstanding	-	83,402	1,008,355	131,567	-	1,223,324
Accrued interest	15,373	96,846	249,429	-	-	361,647
Prepayment	-	223,067	-	-	-	223,067
Prepayment GST	-	-	-	-	-	-
GST debtors	573	122,271	14,240	347	-	137,430
Debtors Sundry	-	1,730,333	45,988	1,729,734	23,542	3,529,597
Debtors	1,529,004	39,662,634	29,177,200	5,376,322	17,131,429	92,876,589
	<b>1,544,949</b>	<b>41,918,553</b>	<b>30,495,211</b>	<b>7,237,970</b>	<b>17,154,971</b>	<b>98,351,654</b>
Non reinsurance recoveries – current	-	507,441	-	-	-	507,441
Reinsurance recoveries – current	157,000	29,485,486	5,243,765	-	-	34,886,251
Reinsurance recoveries – non current	-	83,639,140	-	-	-	83,639,140
Provision for Doubtful Debts – current	-	(507,441)	-	-	-	(507,441)
Provision for Doubtful Debts – non current	-	-	-	-	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,701,949</b>	<b>155,043,177</b>	<b>35,738,977</b>	<b>7,237,970</b>	<b>17,154,971</b>	<b>216,877,045</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 7. CLAIMS EXPENSE

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
Net Claims Paid	45,784	1,047,344	9,158,627	612,637	-	10,864,392
Claims outstanding at beginning of year	(374,633)	(111,602,255)	(21,550,106)	(3,078,667)	-	(136,605,661)
Claims outstanding at end of year	12,550	125,188,477	21,092,103	3,659,074	-	149,952,204
Recoveries outstanding at beginning of year	-	83,402	1,008,355	131,567	-	1,223,324
Recoveries outstanding at end of year	-	(322,009)	(823,480)	(97,201)	-	(1,242,690)
Reinsurance Recoveries at beginning of year	157,000	113,124,627	5,243,765	-	-	118,525,392
Less Reinsurance Recoveries at end of year	-	(127,596,375)	(7,916,120)	(255,000)	-	(135,767,494)
Non reinsurance recoveries at beginning of year	-	507,441	-	-	-	507,441
Non reinsurance recoveries at end of year	-	(507,441)	-	-	-	(507,441)
Doubtful debts at beginning of year	-	-	-	-	-	-
Doubtful debts at end of year	-	-	-	-	-	-
	(159,298)	(76,789)	6,213,145	972,409	-	6,949,467

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
Net Claims Paid	73,141	1,077,426	9,875,700	564,294	-	11,590,561
Claims outstanding at beginning of year	(171,718)	(125,617,487)	(17,756,841)	(1,333,234)	-	(144,879,281)
Claims outstanding at end of year	374,633	111,602,255	21,550,106	3,078,667	-	136,605,661
Recoveries outstanding at beginning of year	-	16,037	832,080	-	-	848,118
Recoveries outstanding at end of year	-	(83,402)	(1,008,355)	(131,567)	-	(1,223,324)
Reinsurance Recoveries at beginning of year	97,000	126,338,393	3,834,979	-	-	130,270,372
Less Reinsurance Recoveries at end of year	(157,000)	(113,124,627)	(5,243,765)	-	-	(118,525,392)
Non reinsurance recoveries at beginning of year	-	507,441	-	-	-	507,441
Non reinsurance recoveries at end of year	-	(507,441)	-	-	-	(507,441)
Doubtful debts at beginning of year	-	-	-	-	-	-
Doubtful debts at end of year	-	-	-	-	-	-
	216,055	208,595	12,083,904	2,178,161	-	14,686,716

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 8. EXPENSES

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
<b>OTHER SCHEME EXPENSES</b>						
Scheme Administration Fees	119,751	7,247,620	4,940,231	747,866	-	13,055,468
<b>GENERAL EXPENSES</b>						
Actuarial Fees	-	71,581	-	40,000	-	111,581
Auditors Fees	8,400	67,431	8,500	5,000	-	89,331
Bank Charges	33	856	554	140	-	1,582
Board of Management Expenses	-	90,099	-	-	-	90,099
General Expenses	2,500	664,844	1,045,000	-	-	1,712,344
Insurance	-	15,464	-	-	-	15,464
Legal Expenses	-	43,302	-	-	-	43,302
Marketing and Communication Expenses	-	129,808	100,000	-	-	229,808
Risk Management Expenses	-	1,969,844	(370,500)	-	-	15,99,344
Property Valuation Fees	-	-	(66,900)	-	-	(66,900)
	10,933	3,053,230	716,654	45,140	-	3,825,956
	130,684	10,300,850	5,656,884	793,006	-	16,881,425

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
<b>OTHER SCHEME EXPENSES</b>						
Scheme Administration Fees	118,131	7,121,466	5,571,575	798,740	-	13,609,911
<b>GENERAL EXPENSES</b>						
Actuarial Fees	-	67,823	-	21,636	-	89,459
Auditors Fees	4,176	84,067	6,960	6,264	-	101,467
Bank Charges	-	750	447	154	-	1,352
Board of Management Expenses	-	74,323	-	-	-	74,323
General Expenses	400	182,032	25,000	0	-	207,432
Insurance	-	12,088	-	-	-	12,088
Legal Expenses	-	17,401	-	-	-	17,401
Marketing and Communication Expenses	-	346,615	58,755	-	-	405,370
Risk Management Expenses	-	1,560,194	17,500	-	-	1,577,694
Property Valuation Fees	-	-	(714,280)	-	-	(714,280)
	4,576	2,345,293	(605,618)	28,055	-	1,772,305
	122,707	9,466,758	4,965,957	826,794	-	15,382,216

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 9. AUDITORS' REMUNERATION

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
<b>AUDIT SERVICES</b>						
Audit of financial report	8,400	67,431	8,500	5,000	-	89,331
<b>2017</b>						
<b>AUDIT SERVICES</b>						
Audit of financial report	4,176	84,067	6,960	6,264	-	101,467

Auditors' remuneration for the Motor Vehicle Scheme in 2018 and 2017 were borne by the Liability Scheme and were not recharged.

### 10. OUTSTANDING CLAIMS

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2018</b>	\$	\$	\$	\$	\$	\$
Reported claims outstanding	12,550	43,151,630	21,092,103	2,015,191	-	66,271,475
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs	-	91,710,132	-	1,714,015	-	93,424,147
Discount to present value	-	(9,673,285)	-	(70,132)	-	(9,743,417)
	<b>12,550</b>	<b>125,188,477</b>	<b>21,092,103</b>	<b>3,659,074</b>	<b>-</b>	<b>149,952,204</b>
<b>COMPRISING</b>						
Current Liabilities	12,550	31,297,119	21,092,103	2,744,305	-	55,146,078
Non-Current Liabilities	-	93,891,358	-	914,768	-	94,806,126
	<b>12,550</b>	<b>125,188,477</b>	<b>21,092,103</b>	<b>3,659,074</b>	<b>-</b>	<b>149,952,204</b>

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
<b>2017</b>	\$	\$	\$	\$	\$	\$
Reported claims outstanding	374,633	38,922,244	21,350,106	1,527,784	-	62,174,767
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs	-	81,304,687	200,000	1,617,795	-	83,122,482
Discount to present value	-	(8,624,676)	-	(66,912)	-	(8,691,587)
	<b>374,633</b>	<b>111,602,255</b>	<b>21,550,106</b>	<b>3,078,667</b>	<b>-</b>	<b>136,605,661</b>
<b>COMPRISING</b>						
Current Liabilities	374,633	21,121,023	21,550,106	3,078,667	-	46,124,429
Non-Current Liabilities	-	90,481,232	-	-	-	90,481,232
	<b>374,633</b>	<b>111,602,255</b>	<b>21,550,106</b>	<b>3,078,667</b>	<b>-</b>	<b>136,605,661</b>

### THE ACTUARIAL ASSUMPTIONS WITH RESPECT TO THE LIABILITY FUND ARE:

- A. The average term to settlement of outstanding claims is 2018: 3.45 years (2017: 3.57 years)
- B. The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

	2019	2020 and beyond	2018	2019 and beyond
Inflation Rate	2.25 to 2.50%	2.50 to 3.00%	2.00 to 2.50%	2.25 to 4.00%
Superimposed Inflation Professional Indemnity		0.00%		0.00%
Superimposed Inflation Personal Injury		0.00%		0.00%
Discount Rate Range	1.89%	2.09 to 3.49%	1.57%	1.92 to 4.29%

The Actuarial assumptions with respect to the Councillors and Officers Fund are:

- A. The average term to settlement of outstanding claims is 2018: 1.46 years (2017: 1.64 years)
- B. The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

	2019	2020 and beyond	2018	2019 and beyond
Inflation Rate	2.50%	3.00%	2.50%	3.00 to 4.00%
Discount Rate Range	1.89%	2.09 to 3.49%	1.57%	1.92 to 4.29%

### 11. PROVISION FOR SURPLUS DISTRIBUTIONS

In accordance with the Board of Management meeting resolution dated 11 October 2002, and also with Clause 9.11.2 of the Statewide Mutual Deed of Establishment, a distribution (of an amount to be determined by the Board of Management) will be made after the adoption of the Financial Statements at the end of each financial year.

### 12. EVENTS SUBSEQUENT TO REPORTING DATE

No other matter has arisen in the opinion of the directors of Statewide Mutual, to significantly adversely affect the operations of Statewide Mutual, the results of those operations, or the state of affairs of Statewide Mutual in future financial years.





# MEMBERS

All schemes as at 30 June 2018

	L	P	F	C&O	M
Albury City Council	Y	Y	Y	Y	Y
Armidale Regional Council	Y	Y	Y	Y	Y
Ballina Shire Council	Y	Y	Y	Y	Y
Balranald Shire Council	Y	Y	Y	Y	Y
Bathurst Regional Council	Y	Y	Y	Y	Y
Bega Valley Shire Council	Y	Y	Y	Y	Y
Bellingen Shire Council	Y	Y	Y	Y	Y
Berrigan Shire Council	Y	Y	Y	Y	Y
Bland Shire Council	Y	Y	Y	Y	Y
Blayney Shire Council	Y	Y	Y	Y	Y
Bogan Shire Council	Y	Y	Y	Y	Y
Bourke Shire Council	Y	Y	Y	Y	Y
Brewarrina Shire Council	Y	Y	Y	Y	Y
Broken Hill City Council	Y	Y	Y	Y	Y
Byron Shire Council	Y	Y	Y	Y	Y
Cabonne Council	Y	Y	Y	Y	Y
Campbelltown City Council	Y	Y	Y	Y	Y
Canterbury Bankstown Council	Y	Y	Y	Y	Y

	L	P	F	C&O	M
Carrathool Shire Council	Y	Y	Y	Y	Y
Castlereagh-Macquarie County Council	Y	Y	Y	Y	Y
Central Coast Council	Y	Y	Y	Y	Y
Central Darling Shire Council	Y	Y	Y	Y	Y
Central Murray County Council	Y	Y	Y	Y	Y
Central Tablelands County	Y	Y	Y	N	Y
Cessnock City Council	Y	Y	Y	Y	Y
City of Ryde	Y	Y	Y	Y	Y
Clarence Valley Council	Y	Y	Y	Y	Y
Cobar Shire Council	Y	Y	Y	Y	Y
Cobar Water Board	Y	Y	Y	N	Y
Coffs Harbour City Council	Y	Y	Y	Y	Y
Coolamon Shire Council	Y	Y	Y	Y	Y
Coonamble Shire Council	Y	Y	Y	Y	Y
Cootamundra Gundagai Regional Council	Y	Y	Y	Y	Y
Cowra Shire Council	Y	Y	Y	Y	Y
Dubbo Regional Council	Y	Y	Y	Y	Y

	L	P	F	C&O	M
Dungog Shire Council	Y	Y	Y	Y	Y
Edwards River Council	Y	Y	Y	Y	Y
Eurobodalla Shire Council	Y	Y	Y	Y	Y
Federation Council	Y	Y	Y	Y	Y
Forbes Shire Council	Y	Y	Y	Y	Y
Georges River Council	Y	Y	Y	Y	Y
Gilgandra Shire	Y	Y	Y	Y	Y
Glen Innes Severn Council	Y	Y	Y	Y	Y
Goldenfields Water County Council	Y	Y	Y	Y	Y
Goulburn Mulwaree Council	Y	Y	Y	Y	Y
Greater Hume Shire Council	Y	Y	Y	Y	Y
Griffith City Council	Y	Y	Y	Y	Y
Gunnedah Shire Council	Y	Y	Y	Y	Y
Gwydir Shire Council	Y	Y	Y	Y	Y
Hawkesbury River County Council	Y	Y	Y	Y	Y
Hay Shire Council	Y	Y	Y	Y	Y
Hilltops Council	Y	Y	Y	Y	Y
Hornsby Shire Council	Y	Y	Y	Y	Y
Inner West Council	Y	Y	Y	Y	Y
Inverell Shire Council	Y	Y	Y	Y	Y
Junee Shire Council	Y	Y	Y	Y	Y
Kempsey Shire Council	Y	Y	Y	Y	Y
Ku-ring-gai Council	Y	Y	Y	Y	Y
Kyogle Council	Y	Y	Y	Y	Y
Lachlan Shire Council	Y	Y	Y	Y	Y
Lake Macquarie City Council	Y	Y	Y	Y	Y
Leeton Shire Council	Y	Y	Y	Y	Y
Lismore City Council	Y	Y	Y	Y	Y
Lithgow City Council	Y	Y	Y	Y	Y
Liverpool Plains Shire Council	Y	Y	Y	Y	Y
Lockhart Shire Council	Y	Y	Y	Y	Y
Maitland City Council	Y	Y	Y	Y	Y
Mid Coast Council	Y	Y	Y	Y	Y
Moree Plains Shire Council	Y	Y	Y	Y	Y
Mosman Municipal Council	Y	Y	Y	Y	Y
Murray River Council	Y	Y	Y	Y	Y
Murrumbidgee Council	Y	Y	Y	Y	Y
Muswellbrook Shire Council	Y	Y	Y	Y	Y
Nambucca Shire Council	Y	Y	Y	Y	Y
Narrabri Shire Council	Y	Y	Y	Y	Y
Narrandera Shire Council	Y	Y	Y	Y	Y


	L	P	F	C&O	M
Narromine Shire Council	Y	Y	Y	Y	Y
New England Tablelands	Y	Y	N	N	Y
Newcastle City Council	Y	Y	Y	Y	Y
Norfolk Island Regional Council	Y	Y	Y	Y	Y
North Sydney Council	Y	Y	Y	Y	Y
Northern Beaches Council	Y	Y	Y	Y	Y
Oberon Council	Y	Y	Y	Y	Y
Orange City Council	Y	Y	Y	Y	Y
Port Macquarie-Hastings Council	Y	Y	Y	Y	Y
Port Stephens Council	Y	Y	Y	Y	Y
Queanbeyan Palerang Regional Council	Y	Y	Y	Y	Y
Randwick City Council	Y	Y	Y	Y	Y
Riverina Water County Council	Y	Y	Y	Y	Y
Rous County Council	Y	Y	Y	Y	Y
Shoalhaven City Council	Y	Y	Y	Y	Y
Singleton Council	Y	Y	Y	Y	Y
Snowy Monaro Regional Council	Y	Y	Y	Y	Y
Snowy Valleys Council	Y	Y	Y	Y	Y
Strathfield Council	Y	Y	Y	Y	Y
Sutherland Shire Council	Y	Y	Y	Y	Y
Tamworth Regional Council	Y	Y	Y	Y	Y
Temora Shire Council	Y	Y	Y	Y	Y
Tenterfield Shire Council	Y	Y	Y	Y	Y
The City of Canada Bay Council	Y	Y	Y	Y	Y
Tweed Shire Council	Y	Y	Y	Y	Y
Upper Hunter County Council	Y	N	Y	N	Y
Upper Hunter Shire Council	Y	Y	Y	Y	Y
Upper Lachlan Shire Council	Y	Y	Y	Y	Y
Upper Macquarie County Council	Y	N	Y	Y	Y
Uralla Shire Council	Y	Y	Y	Y	Y
Wagga Wagga City Council	Y	Y	Y	Y	Y
Walcha Council	Y	Y	Y	Y	Y
Walgett Shire Council	Y	Y	Y	Y	Y
Warren Shire Council	Y	Y	Y	Y	Y
Warrumbungle Shire Council	Y	Y	Y	Y	Y
Weddin Council	Y	Y	Y	Y	Y
Wentworth Shire Council	Y	Y	Y	Y	Y
Willoughby City Council	Y	Y	Y	Y	Y
Wingecarribee Shire Council	Y	Y	Y	Y	Y
Wollondilly Shire Council	Y	Y	Y	Y	Y
Woollahra Municipal Council	Y	Y	Y	Y	Y
Yass Valley Council	Y	Y	Y	Y	Y

## CERTIFICATE BY CHAIRMAN AND FINANCE COMMITTEE CHAIRMAN

In our opinion, the accompanying financial statements of Statewide Mutual comprising the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows and accompanying notes as set out on pages 1 to 15:

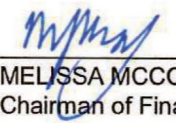
- A. presents fairly the financial position of Statewide Mutual as at 30 June 2018 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date.
- B. are drawn up in accordance with the provisions of the Deed of Establishment dated 22 March 1994; and
- C. are drawn up in accordance with the accounting policies contained in note 1.

Dated - 18 June 2019



---

BILL WARNE  
Chairman of Board of Management



---

MELISSA MCCOY  
Chairman of Finance Committee

## NAAMON EURELL

EXECUTIVE OFFICER  
STATEWIDE MUTUAL

PO BOX H176  
AUSTRALIA SQUARE  
NSW 1215  
T: +61 (0)2 9320 2726  
F: +61 (0)2 9299 2029

mail@statewidemutual.com.au  
statewidemutual.com.au

### Disclaimer

The information provided by Statewide Mutual in this document is of a general nature, and has been provided solely on the basis that users will be responsible for making their own assessment of it, having regard to their own circumstances, needs & requirements and those of their Council.

While Statewide Mutual endeavours to provide up to date information and guidance for your use, it may be open to misunderstanding or misinterpretation. Consequently you should seek independent legal advice where you intend using this information.

Statewide Mutual expressly disclaims any liability associated with, or arising from, the use or incorporation of the information provided in this document by the user.

### Proprietary Nature of Proposal

This document is prepared for use by Members of Statewide Mutual. Therefore, this document is not to be made available to anyone other than the addressee or person within the addressee's organisation who is designated to evaluate or implement the proposal and may be made available to other persons or organisations only with written permission of Statewide Mutual

### © Copyright

All rights reserved. No part of this document may be reproduced or transmitted in any form by any means, electronic or mechanical, including photocopying and recording, or by any information. SG19-1281.





# RIVERINA AND MURRAY JOINT ORGANISATION

## BOARD MEETING MINUTES

Minutes of the meeting of the Board of the Riverina and Murray Joint Organisation, held in the Mirrool Room, Griffith Exies Club, Jondaryan Avenue Griffith NSW on Wednesday 6<sup>th</sup> November 2019 at 9:00am.

### VOTING BOARD MEMBERS

<b>CHAIR: Cr Kevin Mack (Albury)</b>	<b>Cr Matthew Hannan (Berrigan)</b>	<b>Cr Darryl Jardine (Carrathool)</b>
<b>Cr Norm Brennan (Edward River)</b>	<b>Cr Patrick Bourke (Federation)</b>	<b>Cr John Dal Broi (Griffith)</b>
<b>Cr Paul Maytom (Leeton)</b>	<b>Cr Chris Bilkey (Murray River)</b>	<b>Cr David Fahey (Narrandera)</b>
<b>Cr Bill Sheaffe (Hay)</b>	<b>Cr Ruth McCrae (Murrumbidgee)</b>	

### NON-VOTING BOARD MEMBERS

<b>Frank Zaknich (Albury)</b>	<b>Rowan Perkins (Berrigan)</b>	<b>Rick Warren (Carrathool)</b>	<b>Adam McSwain (Edward River)</b>
<b>Adrian Butler (Federation)</b>	<b>Brett Stonestreet (Griffith)</b>	<b>Kirstyn Thronder (Hay)</b>	<b>Jackie Kruger (Leeton)</b>
<b>Des Bilske (Murray River)</b>	<b>John Scarce (Murrumbidgee)</b>	<b>George Cowan (Narrandera)</b>	

### MEETING GUESTS

<b>Cameron Templeton</b>	<b>Office of Local Government, Department of Planning, Industry and Environment</b>
<b>James Bolton</b>	<b>Regional NSW, Department of Planning, Industry and Environment</b>
<b>Nicola James</b>	<b>AusIndustry</b>
<b>Karl Rodrigues</b>	<b>Australian Space Agency</b>

### EXECUTIVE OFFICER (NON-VOTING BOARD MEMBER)

<b>Bridgett Leopold</b>	<b>Executive Officer RAMJO</b>
-------------------------	--------------------------------

## AGENDA

1	Chairpersons Welcome	9:00
2	Apologies	9:00
3	Declaration of Items of Pecuniary or Other Interest – Board Members / Designated Persons	9:05
4	Minutes of 28 <sup>th</sup> August 2019 Board Meeting	9:05
5	Matters Arising from Minutes of 28 <sup>th</sup> August 2019 Board Meeting	9:10
6	<b>James Bolton:</b> Director Regional NSW – update from DPIE / Regional Leadership Executive	9:15
7	<b>Cameron Templeton:</b> Council Engagement Manager - update from OLG	9:25
8	<b>Jahla Gato – Assistant Director, Strategy and Policy, Australian Space Agency</b> The Australian Space Agency will provide an overview of developments in this area for RAMJO to consider as a future.	9:30
9	<b>Nicola James – Regional Manager SWNSW, AUSINDUSTRY</b> Update on upcoming grant funding opportunities.	9:50
10	<b>Executive Officer: 2018-2019 Audit Financial Statements</b> <ul style="list-style-type: none"> <li>Audit 2018-2019 Financial Statements</li> </ul>	10:00
11	<b>Executive Officer: Quarterly Financial Update 2019-2020</b> <ul style="list-style-type: none"> <li>Financial results 1 July – 30 September 2019</li> <li>Community ID Economic profile funding Budget Amendment</li> </ul>	10:10
	<b>15 MINUTE TEA BREAK</b>	10:30
12	<b>Executive Officer: Strategic Priorities for OLG Funding</b> <ul style="list-style-type: none"> <li>Procurement Framework progress</li> </ul>	10:45
13	<b>Executive Officer: Water Update</b> <ul style="list-style-type: none"> <li>Regional response to upcoming enquiries</li> </ul>	11:00
14	<b>Executive Officer: Meeting Dates 2020</b>	11:15
15	<b>Executive Officer: Professional Officer Groups Update</b> <ul style="list-style-type: none"> <li>General Managers Meeting Minutes – 25 October 2019</li> <li>Engineers Working Group</li> <li>Property Working Group</li> <li>LSPS Working Group</li> <li>Development Professionals Working Group</li> <li>Procurement Group</li> <li>Contaminated Land Steering Committee</li> </ul>	11:30
16	General Business Matters <ul style="list-style-type: none"> <li>Response from refugee matter</li> </ul>	11:45
17	Meeting Close	12:30

## LUNCH

#### AGENDA ITEM 1 – WELCOME

The Chairperson welcomed the Board Members and guests to the meeting and provided an update from the RAMJO meeting with Member for Cootamundra, and Parliamentary Secretary Steph Cooke. This included an agreement between RAMJO and the Parliamentary Secretary that the two parties would work together on matters of common interest.

#### AGENDA ITEM 2 – APOLOGIES

Voting Board Members: Cr. Neville Kschenka (Narrandera Shire Council), Cr. Darryl Jardine (Carrathool), Cr. Norm Brennan (Edward River)

Other Members: Rowan Perkins (Berrigan)

**RESOLVED that the apologies be accepted and that leave of absence be granted.**

**(Moved Cr. McRae and seconded Cr. Bourke)**

#### AGENDA ITEM 3 – DECLARATION OF PECUNIARY OR OTHER INTEREST

There were no declarations of pecuniary or other interests lodged at the meeting by Board Members or other Designated Persons.

#### AGENDA ITEM 4 – MINUTES OF 28<sup>TH</sup> AUGUST 2019 BOARD MEETING

**RESOLVED that the Minutes of the RAMJO Board Meeting held on 28<sup>th</sup> August 2019 are endorsed.**

**(Moved Cr. Maytom and seconded Cr. Bourke)**

#### AGENDA ITEM 5 – MATTERS ARISING FROM MINUTES 28<sup>TH</sup> AUGUST 2019

Executive Officer informed the Board that all outstanding actions from the previous meeting are now complete.

**RESOLVED that the Board Members noted the verbal update and notes in the agenda papers.**

#### AGENDA ITEM 6 – JAMES BOLTON, REGIONAL NSW, DEPARTMENT OF PLANNING, INDUSTRY AND ENVIRONMENT

The Director of Regional NSW, James Bolton, provided a verbal update including the following items:

- The Stronger Country Communities grant funding opportunity received 268 applications in this area, of which 118 are youth related. Not-For-Profit (NFP) organisations were able to apply this time allowing for non-Government organisations to apply. Feedback from the General Manager of Griffith was that when not managed correctly, offering grants to NFPs can create duplication and overlap with existing Council programs. Information from the Director of Regional NSW was that this is an opportunity to see if there are NFPs who can provide a business case for service delivery around youth in a more efficient and effective manner than those services currently being contracted by State Government. Input from Cr McRae and the General Manager of Murray Bridge suggested that Councils should be notified or potentially consulted before a decision is made on NFP successful grants for service delivery. Regional NSW said that there is an existing probity process, of which “duplication” is part of the assessment process which would be considered. Finally, Cr Bilkey informed Mr Bolton that when NFPs are awarded time-limited funding to create a service, and this funding ends, Local Government is often left to fill; the gap which is left by this NFP service or program concluding.
- The Snowy Hydro Legacy Fund identifies Digital Connectivity as a key priority and consultation in regional communities by NSW Government is now underway. The Executive Officer requested that when State Government consultation processes are undertaken, JOs are considered as a stakeholder as it has been noted that JOs are often overlooked in these processes.

- Local Decision Making Accord – Aboriginal Riverina Murray Regional Alliance is a key priority of Regional NSW for building capacity for Aboriginal decision making across significant policy areas and agencies including Housing, Law and Justice, and Health, Healing and Wellbeing.
- Regional Economic Development Strategy (REDS) review – is about to be launched and the State Government Economic Development Officers will commence discussions with the regions around an audit of commitments or recommendations under the REDS. The local Economic Development engagement officer will be in touch with Councils in the coming weeks.

**RESOLVED that the Board received and noted the update from James Bolton, Director Regional NSW, Department of Industry, Planning and Environment.**

**AGENDA ITEM 7 – CAMERON TEMPLETON, OFFICE OF LOCAL GOVERNMENT ENGAGEMENT MANAGER, DEPARTMENT OF PLANNING, INDUSTRY AND ENVIRONMENT**

The Council Engagement Manager, Cameron Templeton, provided a verbal update on the following:

- The Minister for Local Government, The Hon Shelley Hancock, is very engaged and is seeking to meet, talk and engage with Joint Organisations.
- “Your Council” website is now up and running.
- The \$150,000 for JOs to demonstrate the ability to deliver a project which demonstrates capacity building is now open, and the RAMJO Executive Officer has submitted a draft proposal.
- OLG has reported very strong feedback on election costs across the State and via the LGNSW conference.
- Internal Audit, Risk and Improvement Framework feedback is open until the 31<sup>st</sup> December 2019.
- In 2020 a review of compliance requirements across Local Government to try and review duplication and look to streamline reporting.
- The establishment of a National Redress Scheme was recommended by the Royal Commission into Institutional Responses to Child Sexual Abuse. The National Redress Scheme provides support to people who have experienced institutional child sexual abuse. The Scheme started on 1 July 2018 and will run for 10 years. The State Government has agreed to be liable for any Redress which results from any Local Government institution. Redress payments are up to \$150,000 and the State Government will be liable for this cost, with Local Government potentially required to offer an apology from a Senior Executive (either Mayor or General Manager).
- The General Manager of Albury, Mr Zaknich, asked whether OLG will be hosting sessions or training for candidates around “what it takes to be a Councillor” and other requirements. Mr Templeton will provide an update to the Executive Officer to circulate to the Board.
- The General Manager of Leeton, Ms Kruger, asked whether OLG had any solutions to offer to Councils where election costs are exceptionally high, or whether any advocacy will be undertaken on behalf of Councils. Ms Kruger was advised that the Minister is aware of the issue and is looking into it.
- All RAMJO Councils confirmed they were unhappy with the cost increase, and that they agree to move a motion to write to the Minister for Local Government regarding this matter.

**RESOLVED that the Board received and noted the update from Cameron Templeton, Council Engagement Officer Riverina Murray at DPC.**

**RESOLVED that RAMJO will write a letter on behalf of Member Councils regarding the serious concerns relating to the cost implications.**

**Moved Cr. Maytom (Leeton), Seconded Mr. McRae (Murrumbidgee)**

#### AGENDA ITEM 8 – KARL RODRIGUES FOR JAHLA GATO, AUSTRALIAN SPACE AGENCY

The Australian Space Agency is only 15 months old and is a civil space advisory body for the government and working closely with the Department of Defence. The Agency provided an overview on this sector, with a summary as follows and the presentation at Attachment A:

- This industry is developing quickly and associated business sectors are growing quickly and there are great opportunities developing in this space
- The Agency has a target of tripling the space economy and create 20,000 new jobs in areas such as manufacturing, digital technologies, data usage and eventually working with humans and the supply chains that maintain them. Space industry is larger than satellites and rockets, it's a whole new supply chain.
- The Space Agency is looking for opportunities in areas where there is a lot of flat land minimal air traffic, which could relate to Councils that may wish to position themselves to attract some of the future investment in the industry.
- The presentation is attached for reference of the Board Members.

**RESOLVED that Board Members received and noted the presentation from the Australian Space Agency.**

#### AGENDA ITEM 9 – NICOLA JAMES – AUSINDUSTRY

AusIndustry is a Commonwealth Agency under the Department of Industry, Innovation and Science in a collective with Geoscience Australia, Questacon and the Australia Space Agency. Their role is to feed business information intelligence up to executives to model grant frameworks that best encourage growth in focus sectors.

AusIndustry play a role in connecting people and agencies to drive outcomes, along with providing funding opportunities. The presentation is at [Attachment B](#) with the following key opportunities:

- Building Better Regions Fund (\$200m available for Round 4 with 2 streams available – Infrastructure Projects and Community Investments). A third stream has been announced in the budget although details are yet to be released. Applications close 10 December 2019.
- Safer Communities Fund – aimed at crime prevention and reducing anti-social behaviour
- Regional and Remote Communities Reliability Microgrid Fund – closes 21<sup>st</sup> November 2019.
- International Space Investment Fund – Closes 17<sup>th</sup> December 2019.

**RESOLVED that the RAMJO Board Members considered the presentation provided by AusIndustry and any opportunities which may relate to their Councils.**

#### AGENDA ITEM 10 – BRIDGETT LEOPOLD 2018 – 2019 AUDIT FINANCIAL STATEMENTS

As per the new audit and reporting guidelines, the Executive Officer is notified Board Members of the completion of the audit process and provided a copy of the 2018-2019 Financial Statements. The Financial Statements are required to be endorsed via a Board resolution and a signature from the Chair, Mayor of Murray River and RAMJO Executive Officer. The Financial Statements were prepared with the following qualification:

The General Purpose Financial Statements have been prepared in accordance with:

- the Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards – Reduced Disclosure Requirements and other pronouncements of the Australian Accounting Standards Board
- the Joint Organisations Supplement to the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

- present fairly Riverina and Murray Joint Organisation's operating result and financial position for the year,



- accord with Riverina and Murray Joint Organisation's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

**RESOLVED that the Board endorse the 2018-2019 Financial Statements.**

**Moved Cr. Mack (Albury), Seconded Cr. McRae (Murrumbidgee)**

#### AGENDA ITEM 11 – BRIDGETT LEOPOLD – QUARTERLY FINANCIAL UPDATE 2019 – 2020

A report on the quarterly financial position against the 2019 – 2020 budget was due to be prepared for the Board, but due to staffing matters they are not available today and will be circulated out of session.

Matters for consideration include that in 2018, Board Members agreed to invest in a Community Profile ID program, to provide an evidence base for ongoing RAMJO grant submissions and to guide policy and program investment. To date, this decision has not been progressed. The options provided were as follows:

- **Option 1:** cost of a Community demographic profile is \$16,700 p.a. + GST (Albury and Griffith already have these)
- **Option 2:** cost of an Economic profile is \$12,500 p.a. + GST (with drill downs on Griffith, Murrumbidgee, Federation and Berrigan Councils, who already have this profile information. Other Councils can be added for \$2,000 each)
- **Option 3:** cost of Community demographic AND Economic profile together for \$17,500 p.a. (with additional costs for breakdown of those Councils who don't currently have an Economic profile)

**RESOLVED that the Executive Officer will progress with Option 3 (\$17,500 p.a.) paid for via the Establishment Funds for 1 year with consideration to be given again at the end of 2020.**

**RESOLVED that the Executive Officer would circulate the Q1 2019-2020 report ASAP or with the minutes.**

**Moved Cr. Maytom (Leeton), Seconded Cr. McRae (Murrumbidgee)**

#### AGENDA ITEM 12 – BRIDGETT LEOPOLD – STRATEGIC PRIORITIES FOR OLG FUNDING

The Executive Officer provided a summary of the RAMJO strategic priorities for funding to OLG, as agreed at the RAMJO Board meeting in August. In particular, an update on the analysis and scope around procurement was provided with steps to progress the work.

Moving forward, RAMJO is a working partner in a group of 4 JOs representing 40 Councils, working through some intricacies of collective or aggregated procurement. At this stage, further scoping is required and Member Councils were in agreement to share information and work collaboratively.

Input from the General Manager of Griffith, Mr Stonestreet, is that with the impact of drought and other economic stresses, developing the capacity of local businesses will allow them to participate more in Local Government spend. Proposals regarding a panel or preferred supplier approach as a way to commence local engagement and develop suppliers were offered,

**RESOLVED:**

- **That the Board agreed to the next steps to be undertaken within existing resources in procurement project mapping and outcomes, including mapping of existing Council Procurement Policies.**
- **That Member Councils agreed to share their procurement information where possible.**
- **That the Board noted any further expansion of procurement responsibilities will require successful grant funding proposal from OLG in the first instance.**

**Moved Cr. Hannan (Berrigan), Seconded Cr. Maytom (Leeton)**

## AGENDA ITEM 13 – BRIDGETT LEOPOLD – WATER SECURITY SUB-COMMITTEE UPDATE

The Chair of the Water Sub-Committee, Cr. Chris Bilkey of Murray Bridge, provided a verbal update of the significant progress in the scope, planning and advocacy of the Committee. The Committee has decided to focus from a broad, strategic point of view and not to become involved in the minutiae of the moving parts in the water space.

Therefore, the Sub-Committee has worked through several pieces of critical work regarding the water trading market, infrastructure constraints, carry-overs, drought and inter-valley transfers. Several workshops have allowed the Committee to progress with identifying the key issues in these areas and offer options to address the matters.

The Sub-Committee is in the process of preparing several submissions and correspondence to the following proceedings:

- NSW Legislative Assembly Committee on Investment, Industry and Regional Development inquiry into support for drought affected communities in NSW: **due 29<sup>th</sup> November**
- ACCC inquiry into markets for tradeable water rights in the Murray-Darling Basin. The ACCC will be asked to recommend options to enhance markets for tradeable water rights, including options to enhance their operations, transparency, regulation, competitiveness and efficiency: **due late November**

The Mayor of Griffith, Cr. Dal Broi, raised a proposal that RAMJO support the Deputy Premier in his stance regarding the current situation on water. Discussions followed regarding a draft RAMJO Water Position Paper which is comprised of several key components and a RAMJO recommendation for each regional matter. Several comments were made regarding RAMJO's ability to act now, given the majority of the work is complete.

**RESOLVED that the Water Sub-Committee will quickly work to bring together the RAMJO positions and recommendations on each identified issue with an aim to be proactive and diplomatic, and circulate to the Water Sub-Committee for approval, after such point it will be emailed to the Board for endorsement.**

**The RAMJO Water Position Paper will then be used as a basis to advocate across several platforms, including:**

- NSW Legislative Assembly Committee on Investment, Industry and Regional Development inquiry into support for drought affected communities in NSW: **due 29<sup>th</sup> November**
- ACCC inquiry into markets for tradeable water rights in the Murray-Darling Basin: **due late November**
- Meetings with Ministers and Departments as the opportunities arise

**RESOLVED that the Executive Officer will work with James Bolton to inform departments and agencies of the RAMJO Water Position once the paper is drafted.**

**RESOLVED that the Mayor of Griffith, Cr. Dal Broi, will contact the Deputy Premier to arrange a meeting with RAMJO by the end of November (if possible), including the RAMJO Chair and Deputy Chair, and the Chair of the Water Sub-Committee and the Executive Officer.**

**Moved Cr. Bilkey (Murray River), Seconded Cr. Bourke (Federation)**

## AGENDA ITEM 14 – BRIDGETT LEOPOLD – MEETINGS DATES FOR 2020

**RESOLVED that the Board agreed to the following dates and locations for RAMJO Board Meetings in 2020:**

- **12 February – Jerilderie**
- **13 May – Sydney**
- **12 August – Jerilderie**
- **27 October – Nominations**

## AGENDA ITEM 15 – BRIDGETT LEOPOLD – PROFESSIONAL OFFICER GROUP UPDATES

**RESOLVED that the Board noted the updates from the RAMJO Professional Officer Group meetings and that the General Managers (Attachment C) meeting minutes be circulated with the Board meeting minutes.**

## AGENDA ITEM 16 – GENERAL BUSINESS MATTERS

The Executive Officer provided an update on matters from previous meetings including:

- A response was received by the Member for Albury, who took up a RAMJO concern earlier in 2019 relating to refugees. RAMJO has been provided with a contact to progress any individual Council matters further.
- The GP letter which was circulated to requested Ministers in September. Cr. McRae suggested that we invite the Chief Executive of the Murrumbidgee Local Health District, Jill Ludford, to the next RAMJO Health Sub-Committee. The Chair Cr. Mack informed the Board that the Parliamentary Secretary, Steph Cooke, agreed to work with RAMJO and the Member for Albury, Justin Clancy on the GP concerns.

Discussions informed the Board that the following matters were also being pursued by the General Managers Group:

- Internal Audit, Risk and Improvement Committee – RAMJO collating a regional submission listing common concerns and issues relating to the suggested changes, along with a potential regional solution
- Roads Maintenance Council Contract – a proposal for a Joint Organisation approach

The General Manager of Federation, Mr Butler, raised the query as to which Councils were interested in pursuing the opportunity from Jillian Kilby. It was agreed the Executive Officer would circulate the proposal and the email again to gauge interest and progress if there is more than 50% of RAMJO Councils interested.

**There being no further business, the RAMJO Board meeting concluded at 12:30 pm.**



Australian Government



Australian  
Space Agency

# Australian Space Agency

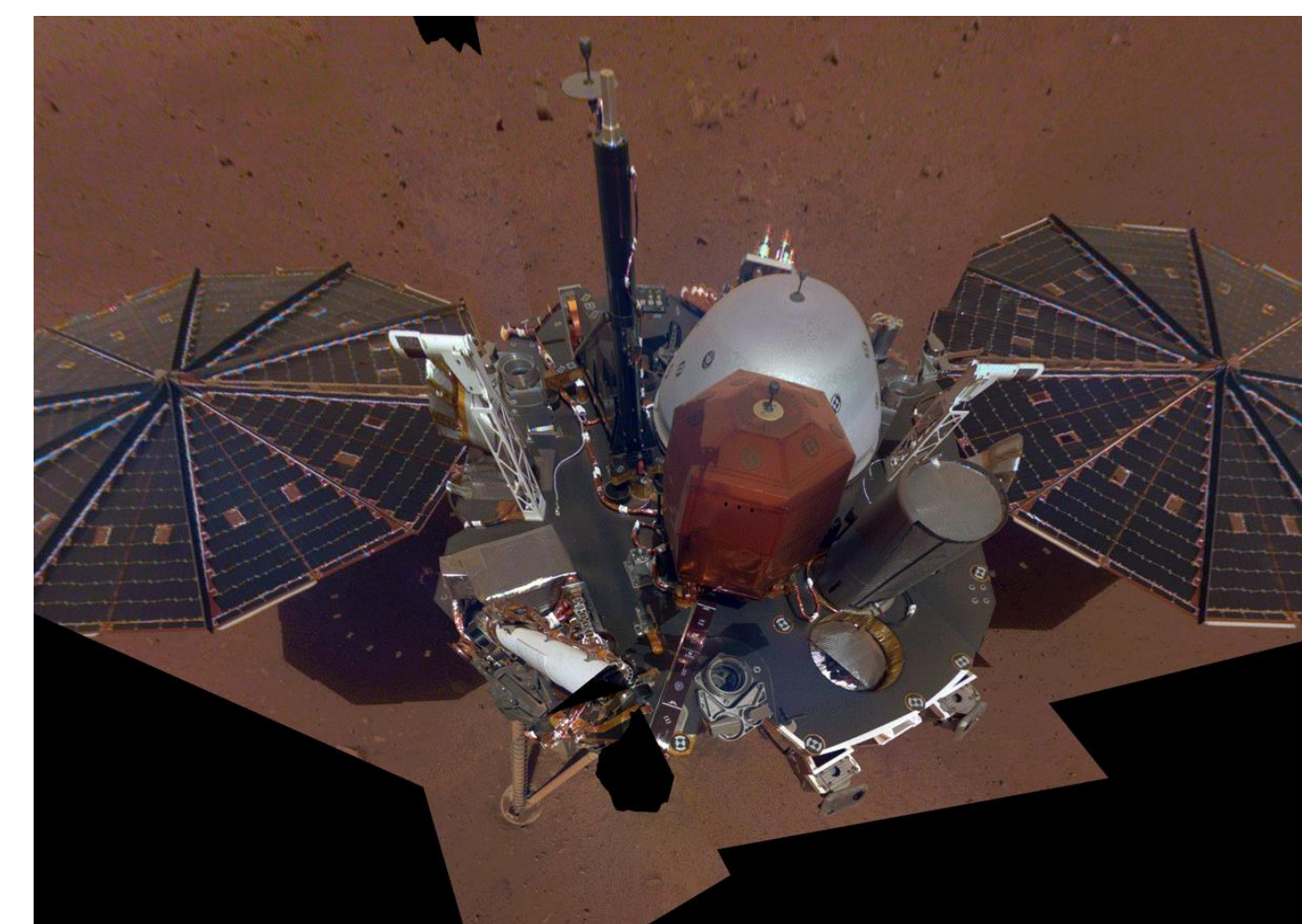
**Karl Rodrigues**  
Executive Director, Planetary Engagement  
Australian Space Agency  
6 November 2019



*The Australian Space Agency acknowledges the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.*

# Space in the last year

- **CNSA lands on the far-side of the moon**
- **JAXA Hayabusa 2 and Asteroid Ryugu**
- **Voyager 2 enters interstellar space**
- **NASA InSight lands on Mars**
- **Artemis program (Moon 2024)**
- **Chandrayan2 Lunar landing attempt**
- **Rocket Lab commences commercial launches**
- **Virgin Galactic passes 89.9km altitude**
- **Beresheet goes into lunar orbit**
- **NASA announces commercial policy and pricing for ISS usage**
- **SpaceX Starship human launch 2020**



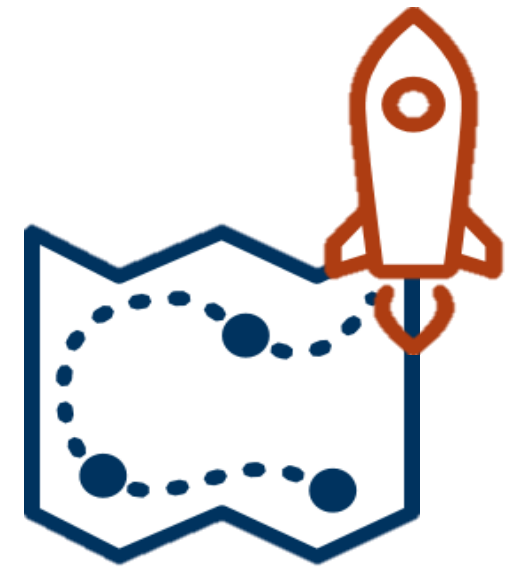
# Purpose

To transform and grow the Australian space industry that lifts the broader economy, inspires and improves the lives of Australians – underpinned by strong national and international engagement.

# Australian Civil Space Strategy

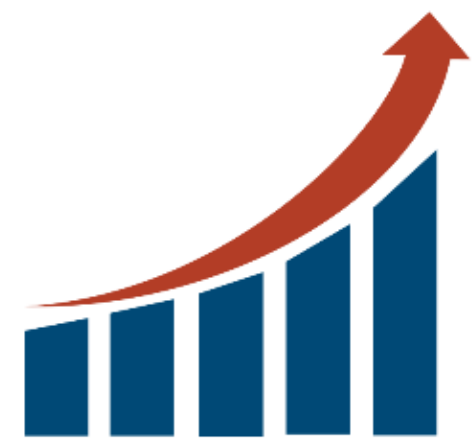


# Achievements

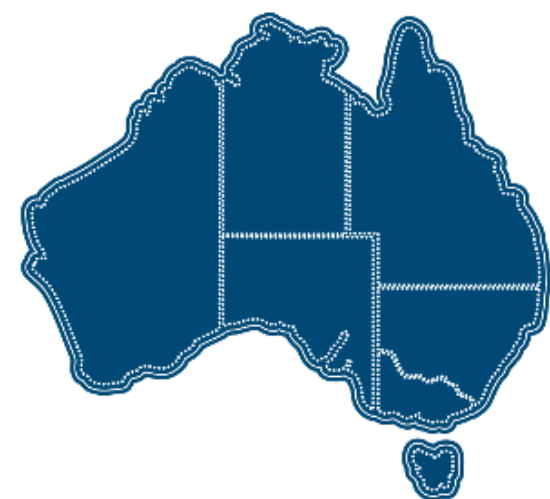


Launch licences

Space Activities Amendment  
(Launch and Return Act 2018)



100+ million  
Australians



States and Territories





# Programs being delivered by the Agency

## International Space Investment Initiative

- \$15 million over three years, grants to strategic space projects that generate employment and business opportunities for Australians.
- Help to unlock international space opportunities for the Australian space sector, and expand the capability and capacity of the Australian space sector, including creating more jobs.

## Space Infrastructure Fund

- Seven projects to be supported by the Fund, totalling \$19.5 million.
- The Fund will support infrastructure projects which will accelerate the growth of Australia's space industry.

# Moon to Mars – Capability innovation



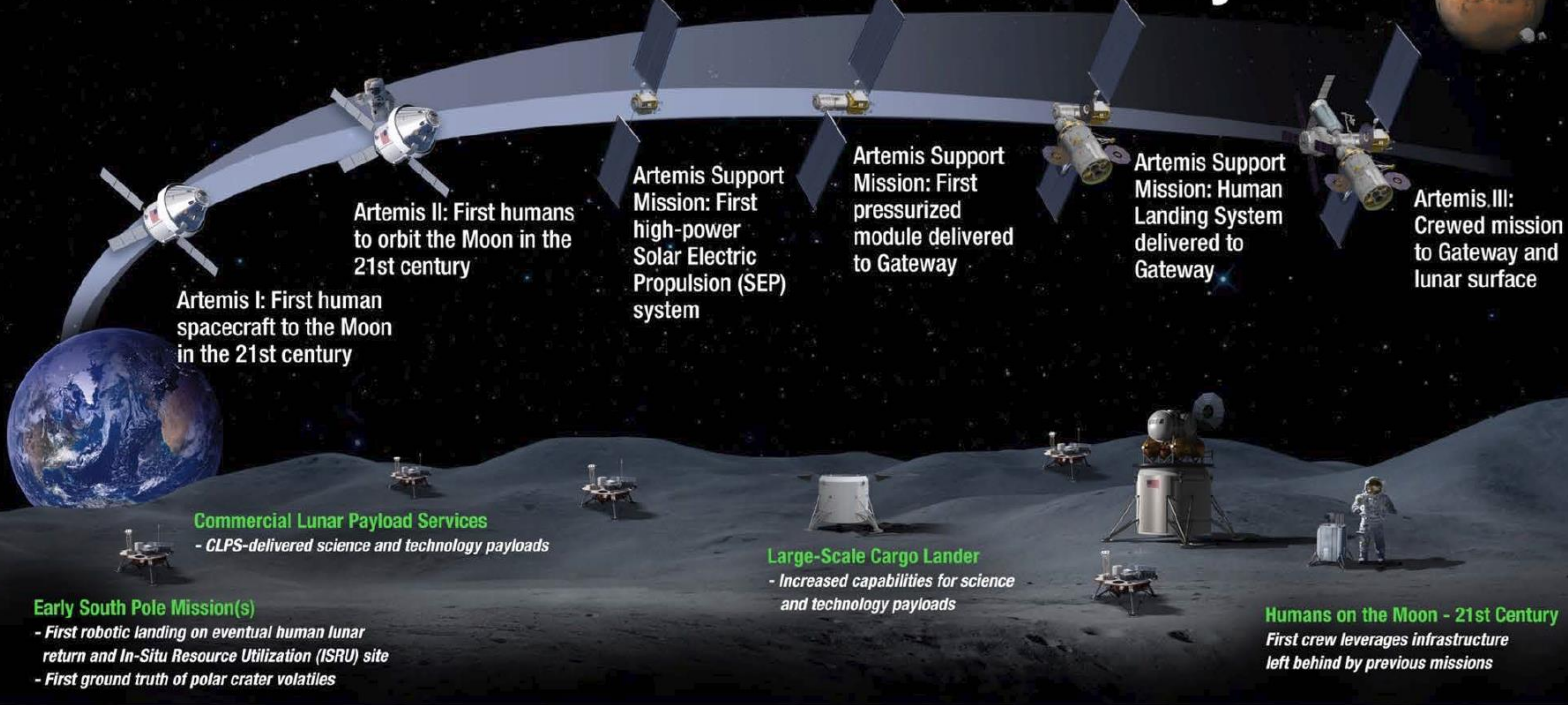
- \$150 million over five years
- Funding to commence from 2020-21
- Deliver key capabilities for missions through participation in the U.S.'s international space supply chains.

## Investment focus

- Demonstrator and pilot projects which showcase investment-ready Australian capabilities
- Working with NASA to leverage Australia's key strengths
- Supporting access to international space supply chains



# Artemis Phase 1: To The Lunar Surface by 2024



**Artemis I:** First human spacecraft to the Moon in the 21st century

**Artemis II:** First humans to orbit the Moon in the 21st century

**Artemis Support Mission:** First high-power Solar Electric Propulsion (SEP) system

**Artemis Support Mission:** First pressurized module delivered to Gateway

**Artemis Support Mission:** Human Landing System delivered to Gateway

**Artemis III:** Crewed mission to Gateway and lunar surface

**Commercial Lunar Payload Services**  
- CLPS-delivered science and technology payloads

**Early South Pole Mission(s)**  
- First robotic landing on eventual human lunar return and In-Situ Resource Utilization (ISRU) site  
- First ground truth of polar crater volatiles

**Large-Scale Cargo Lander**  
- Increased capabilities for science and technology payloads

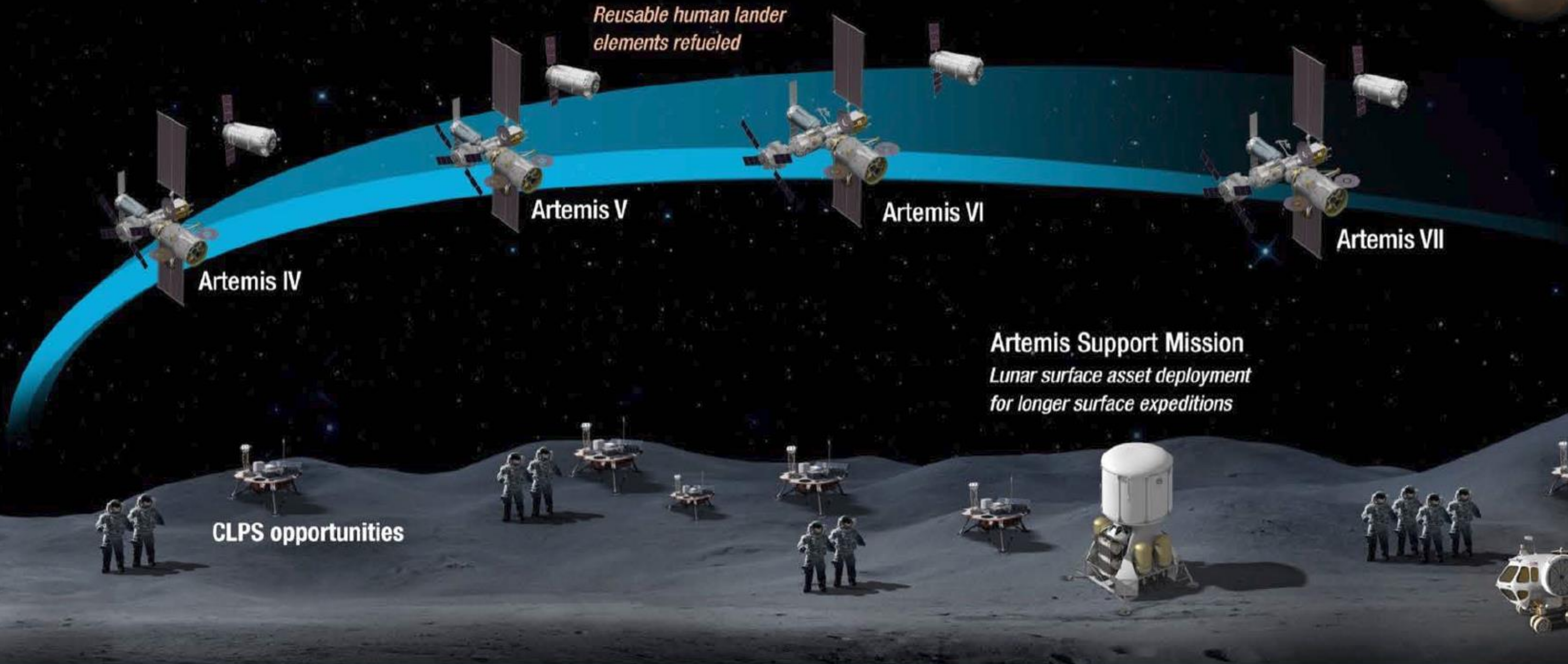
**Humans on the Moon - 21st Century**  
First crew leverages infrastructure left behind by previous missions

## LUNAR SOUTH POLE TARGET SITE

2020

2024

# Artemis Phase 2: Building Capabilities For Mars Missions



## **SUSTAINABLE LUNAR ORBIT STAGING CAPABILITY AND SURFACE EXPLORATION**

MULTIPLE SCIENCE AND CARGO PAYLOADS

INTERNATIONAL PARTNERSHIP OPPORTUNITES

TECHNOLOGY AND OPERATIONS DEMONSTRATIONS FOR MARS

2025

2029

# Australia-UK SpaceBridge



- Letter of Intent for UK – Australia Space Bridge, (24 September 2019)
- Austrade, UK Department of International Trade, UK Space Agency and Australian Space Agency
- Next step is a Framework Agreement



# ESA Progress



- **Expansion of New Norcia deep space tracking station in WA**
- **Operational contract to CSIRO**
- **Pilot project for Deep Space data analytics in WA**
- **Interest in SSA, Data Analytics, Space Weather, Robotics**
- **Next steps - Framework Agreement subject to ESA Council endorsement later in the year.**

# Australia's future in space



- **Working closely with international partners to identify opportunities together.**
- **Contributing our strengths to future projects and missions.**
- **Collaborating on the peaceful use of space.**
- **Australian flag in space.**
- **Highlighting how space technologies will impact and improve the lives of all.**



**Australian Government**



**Australian  
Space Agency**

**Thank you**

**enquiries@space.gov.au**

**space.gov.au**

 **@AusSpaceAgency**

 **Australian-Space-Agency**



# Civil Space Priorities



## Position, navigation and timing

- Space Based Augmentation System (SBAS) – GA
- National Positioning Infrastructure (NPI) project – GA
- Virtual fencing of livestock
- Precision agriculture



## Earth observation

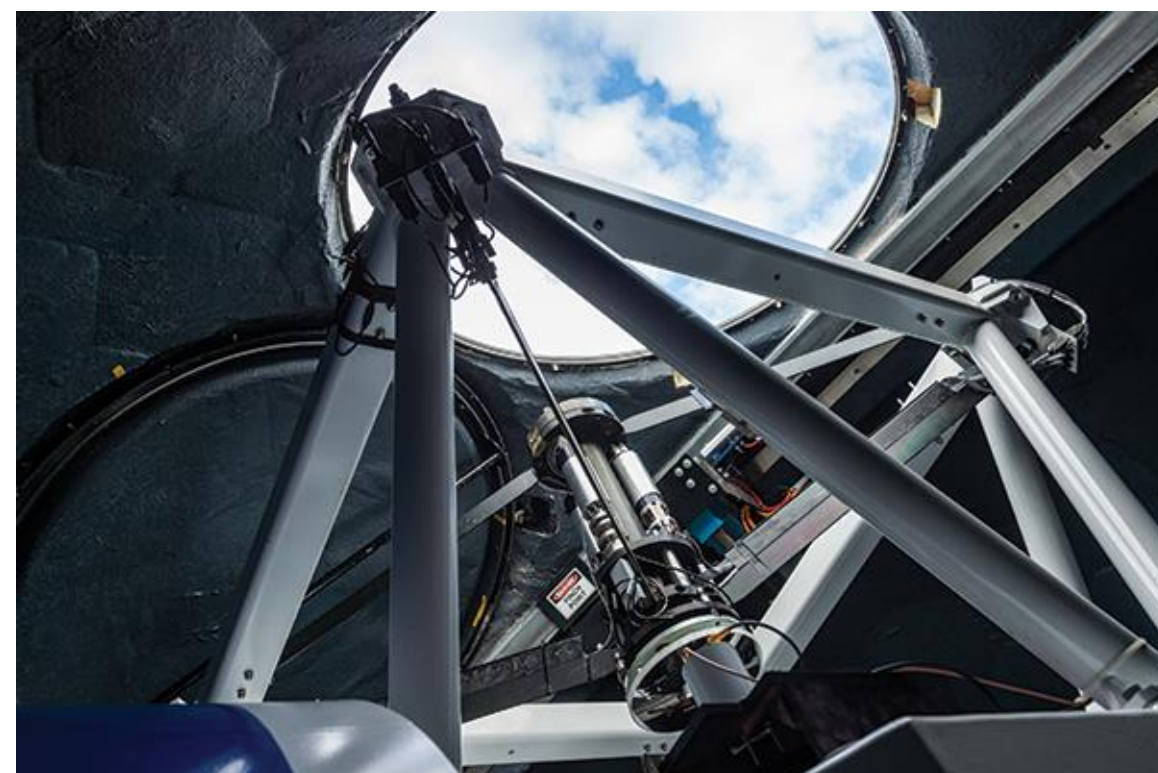
- Digital Earth Australia – GA
- NovaSAR capacity – CSIRO
- CUAVA 1 mission - Sydney University
- Next Generation Earth Observation - SmartSat CRC
- FrontierSI – connecting Earth Observation
- Consilium – using Earth observation for wine mapping in SA
- Maitec – commercial CAL/VAL of EO data and bushfire analysis



## Communications technologies and services

- IoT nanosatellites by Fleet
- Myriota using communication technology to support activities in remote locations
- Optical communications including - Australian Optical Ground Station Network and research into laser communications
- Advanced Communications a focus for SmartSat CRC
- Cingulan and Capricorn Space – starting ground station as a service

# Civil Space Priorities



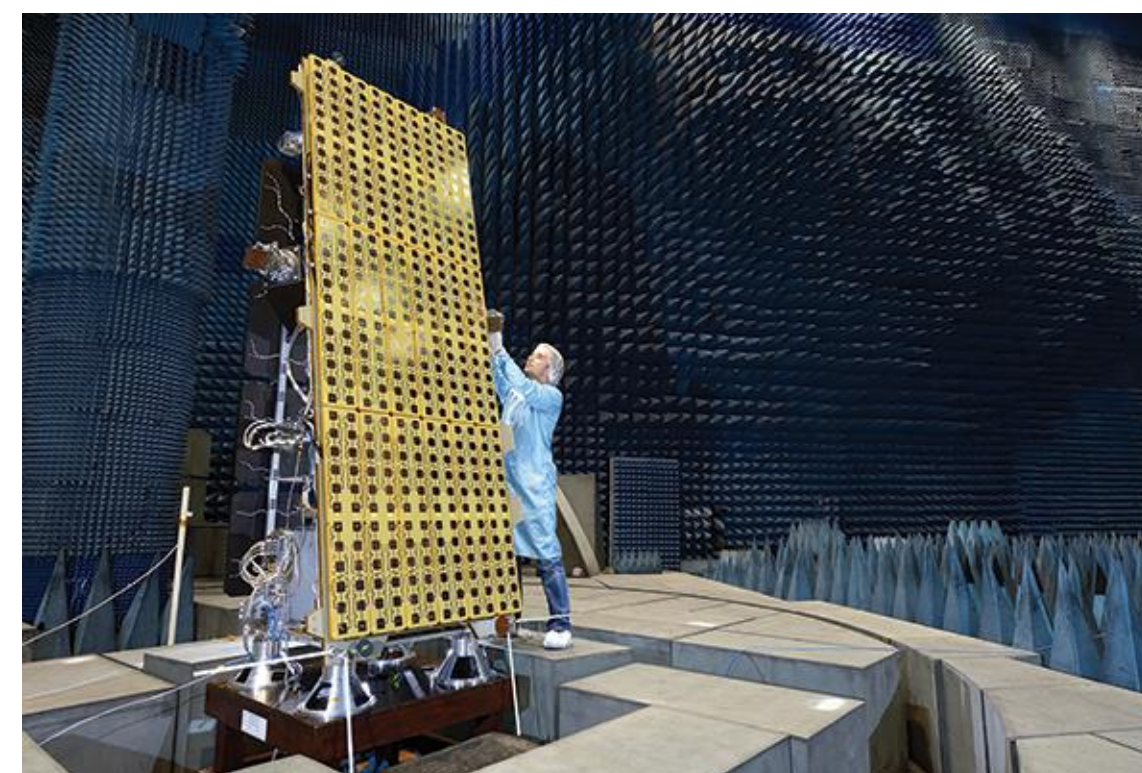
## Space situational awareness and debris monitoring

- Inovor looking to in orbit SSA
- Silentium developing 'passive radar' SSA
- ANU will lead the Rapid Action Telescope for Transient Objects (TAROT) extension
- Curtin University Desert Fireball Network to track satellites
- EOS world class passive and laser SSA and debris tracking
- Western Sydney Uni is developing a neuromorphic 'event based' camera



## Robotics and automation

- Woodside and NASA cooperation using the Robonaut program
- Australian Center for Robotic Vision
- Deakin University's Institute For Intelligent Systems Research And Innovation working on haptically-enabled remote tele-operated robotics (for medicine)
- Automation in the resources sector including Fugro and Rio Tinto



## Leapfrog R&D

- Space Medicine from psychological effects of space travel through to in orbit production of pharmaceuticals and synthetic biology
- Quantum cryptography and communications
- Artificial Intelligence onboard satellites
- CSIRO Space Future Science Platform



## Access to space

- Gilmour Space's 'One Vision' hybrid rocket
- Equatorial Launch Australia looking to establish in Nhulunbuy, NT
- Southern Launch looking to establish in Whalers Way, SA
- Black Sky launched first commercial sounding rocket in 2018



Australian Government  
Department of Industry,  
Innovation and Science

Appendix "B"

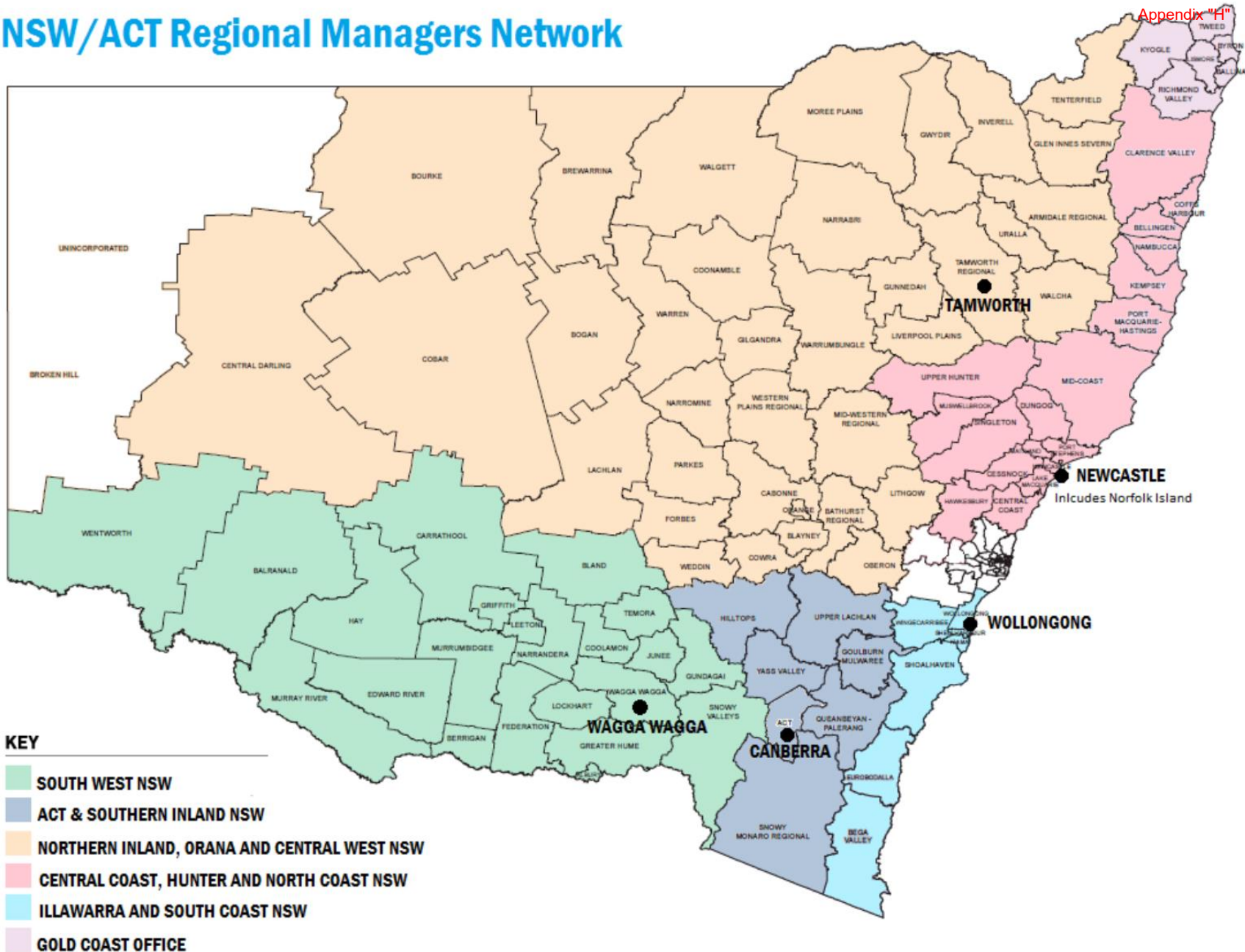
# Business

## AusIndustry:

Nicola James  
Regional Manager  
South West NSW  
AusIndustry – Business Services

# NSW/ACT Regional Managers Network

Appendix "H"



- KEY**
- SOUTH WEST NSW
  - ACT & SOUTHERN INLAND NSW
  - NORTHERN INLAND, ORANA AND CENTRAL WEST NSW
  - CENTRAL COAST, HUNTER AND NORTH COAST NSW
  - ILLAWARRA AND SOUTH COAST NSW
  - GOLD COAST OFFICE

## Overview

- **Deliver the Commonwealth Government's AusIndustry flagship program – Entrepreneur's Programme, R & D Tax Incentive and around 75 grants and programs through the [www.business.gov.au](http://www.business.gov.au) grant portal**
- **Deliver other Commonwealth government department grants through our portal such as the Building Better Regions Fund**
- **No wrong door**
- **Feed up business intel to our policy teams which informs programs, structural adjustment packages**

## Overview

- The \$841.6 million Fund supports the Australian Government's commitment to create jobs, drive economic growth and build strong regional communities into the future.
- For Round 4, \$200 million is available, with up to \$45 million of this funding earmarked to support tourism related infrastructure projects.
- **Contact information:**
  - [13 28 46](tel:132846)
  - [business.gov.au/contact](https://business.gov.au/contact)

## There are two streams available

- **Infrastructure Projects Stream** will support projects which involve the construction of new infrastructure, or the upgrade or extension of existing infrastructure that provide economic and social benefit to regional and remote areas.
- **Community Investments Stream** will fund the following community activities, new or expanded local events, strategic regional plans, and leadership and capability strengthening activities. These projects will deliver economic and social benefits to regional and remote communities. **Infrastructure projects are not eligible for the Community Investments Stream.**



Program	Building Better Regions Fund
Funding	\$200 million over 4 years (2019/20 - 2022/23)
Co-contribution	50%, 25% or no co-funding contribution
Objective	<ul style="list-style-type: none"> <li>▪ drive economic growth</li> <li>▪ build stronger regional communities into the future.</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>▪ create jobs</li> <li>▪ have a positive impact on economic activity, including Indigenous economic participation through employment and supplier-use outcome</li> <li>▪ enhance community facilities</li> <li>▪ enhance leadership capacity</li> <li>▪ encourage community cohesion and a sense of identity.</li> </ul>
Streams	<ul style="list-style-type: none"> <li>▪ Community Investments Stream</li> <li>▪ Infrastructure Projects Stream</li> </ul>
Grant opportunity	Building Better Regions Fund
Funding	<p>Infrastructure Projects Stream</p> <ul style="list-style-type: none"> <li>▪ Up to \$10 million</li> </ul> <p>Community Investment Stream</p> <ul style="list-style-type: none"> <li>▪ \$5,000 up to \$1 million – previously \$10,000 minimum - \$10m</li> </ul>
Type	<ul style="list-style-type: none"> <li>▪ demand driven</li> <li>▪ no geographical restrictions</li> </ul>



## There was a 3<sup>rd</sup> stream announced in the budget

- Currently the third stream is being developed by our policy colleagues.
- Believed to be a rolling stream.
- Will hopefully be announced in the next 6 months.
- Under Section 2.1.1 of the Infrastructure Projects Stream a new section called 'Investment Ready Projects' has been included - this emphasises that projects should be ready within 12 weeks of executing a grant agreement, and lists the requirements to be 'Investment Ready'.
- Under the Community Investments Stream, the maximum grant funding has been reduced from \$10 million to \$1 million.
- Greater clarity that in-kind support is not allowed as matched contribution to the grant.
- The standard grant agreement is used for both streams. See section 10.2 of the grant opportunity guidelines

## Exceptional Circumstances Co-funding Exemption?

- Applicants may qualify for co-funding exemption which means they can opt to submit an application with no co-funding or less than the co-funding requirement.
- Applicants will need to demonstrate that their exceptional circumstances prevent them from meeting the co-funding requirement.
- Exceptional circumstances may include:
  - drought and/or disaster declaration
  - limited financial capacity of the local council
  - impact of industry decline
  - significant recent change in population or community demographics
  - other exceptional circumstances
- The Ministerial Panel will consider requests for exemption, if the request is not approved then the applicable will be ineligible.

## Overview \$55m

- Provides schools and pre-schools, places of religious worship, community organisations and local councils with grants of up to \$1 million for crime prevention initiatives aimed at reducing crime, violence, anti-social behaviour and/or other security risks driven by racial and/or religious intolerance.
- **Deadline to apply:**
- Applications close: 10 December 2019 5:00 pm AEDT
- **Contact information:**
- [13 28 46](tel:132846)
- [business.gov.au/contact](https://business.gov.au/contact)

## Overview

- The minimum grant amount is \$10,000.
- The maximum grant amount per location or school campus is \$500,000.
- The maximum grant amount per organisation is \$1 million.
- The grant will be up to **100%** of eligible project costs.
- The maximum grant period is 36 months.

## Eligible project activities

- Infrastructure activities, such as installing:
  - fixed or mobile CCTV cameras
  - security lighting
  - fencing and gates
  - bollards
  - external blast walls and windows
  - security and alarm systems
  - public address systems
  - intercoms and swipe access.
- Employing or hiring security guards, licensed by the relevant state or territory agency, for schools or preschools

## Assessment criteria

- To be competitive your application must score at least 50% against each assessment criterion.
- Assessment criterion 1: The extent that your project will protect schools and pre-schools, places of religious worship, community organisations and local councils that may be facing security risks associated with racial and/or religious intolerance (50 points)
- Assessment criterion 2: The impact of grant funding on your project (30 points)
- Assessment criterion 3: Your capacity, capability and resources to deliver the project (20 points)

# DIIS| Regional and Remote Communities Reliability Fund Microgrids 2019-20

Appendix "H"

## Overview - \$50.4m over 5 years, \$20m this round

- The Regional and Remote Communities Reliability Fund - Microgrids (the program) was announced by the Australian Government to support feasibility studies into more reliable, secure and cost effective energy supply to regional and remote communities in Australia. The program will fund feasibility studies looking at microgrid technologies to replace, upgrade or supplement existing electricity supply arrangements in off-grid and fringe-of grid communities located in regional and remote areas.
- The objective of the program is to support regional and remote communities to investigate whether replacing, upgrading or supplementing a microgrid or upgrading existing off-grid and fringe-of-grid supply with microgrid or related new energy technologies would be cost effective.
- The minimum grant amount is \$100,000.  
The maximum grant amount is \$10 million
- Program closes – 21<sup>st</sup> November 5:00pm

# DIIS| International Space Investment Expand Capability Grant

Appendix "H"

## Overview

- unlock international space opportunities for the Australian space sector
- expand the capability and capacity of the Australian space sector, and support job creation
- demonstrate the Australian space sector's ability to successfully deliver space-related products and services internationally
- support projects which contribute to building a vision and an Australian space sector that inspires businesses, the Australian community and the next generation of space workforce, researchers and entrepreneurs.
- The minimum grant amount is \$100,000.  
The maximum grant amount is \$4 million.
- Applications open: 5 November 2019 9:00 am AEDT
- Applications close: 17 December 2019 5:00 pm AEDT



# DIIS| International Space Investment Expand Capability Grant

Appendix "H"

## Eligibility

### Objective

International Space Investment – Expand Capability grant will support Australian businesses and research organisations to become involved with international space agencies or established international space programs.

### **Eligibility**

- To be eligible you must be either:
- a company, incorporated in Australia
- a public funded research institution (PFRO) as defined in the guidelines



Australian Government  
Department of Industry,  
Innovation and Science

# Business

## AusIndustry:

Nicola James  
0429 838 024

[Nicola.james@industry.gov.au](mailto:Nicola.james@industry.gov.au)

AusIndustry – Business Services

# RIVERINA AND MURRAY JOINT ORGANISATION

## GENERAL MANAGERS' MEETING

### MEETING INFORMATION

Meeting details were as follows:

- **FRIDAY 25<sup>TH</sup> OCTOBER**
- **10:00AM (9:30AM for MORNING TEA) - 2:00PM**
- **COUNCIL CHAMBERS**
- **JERILDERIE ADMINISTRATION CENTRE (via Powell Street) of MURRUMBIDGEE COUNCIL**

**Note:** Board Members are advised that some photographs may be taken during the meeting for the purposes of public communications.

### MEMBER COUNCILS

<b>Albury City Council – Frank Zaknich</b>	<b>Berrigan Shire Council – Rowan Perkins</b>	<b>Carrathool Shire Council- Rick Warren</b>	<b>Edward River Council- Adam McSwain</b>
<b>Federation Council- Adrian Butler</b>	<b>Griffith City Council- Brett Stonestreet</b>	<b>Hay Shire Council- David Webb</b>	<b>Leeton Shire Council – Jackie Kruger</b>
<b>Murray River Council- Des Bilske</b>	<b>Murrumbidgee Council- John Scarce</b>	<b>Narrandera Shire- George Cowan</b>	

### RAMJO EMPLOYEES

<b>Bridgett Leopold</b>	<b>Executive Officer RAMJO</b>
<b>Linda McKendrick</b>	<b>RAMJO Office Manager</b>

### GUESTS

<b>Giles Butler</b>	<b>Deputy Director Riverina Murray, Regional NSW, DPIE</b>
<b>David Tamlyn</b>	<b>Engineer, Griffith City Council</b>
<b>Sheridan Hopkins</b>	<b>Senior Manager, Local Government Services, TCorp</b>

**GENERAL MANAGERS MEETING AGENDA**

ITEM	TOPIC	TIME
1	Chair Welcome	10:00
2	Apologies	10:00
3	Minutes from the last meeting – 26 <sup>th</sup> July 2019	10:00
4	Matters arising from the last General Managers meeting – 26 <sup>th</sup> July 2019	10:02
5	RAMJO Office Manager Introduction – Linda McKendrick RAMJO Contaminated Lands Officer – Vacancy RAMJO Senior Project Manager (Waste) - Vacancy	10:05
6	DPIE – Partnering with Drought Affected Councils – Giles Butler DPIE	10:15
7	RMS - Road Maintenance Council Contract (RMCC) - Proposal for RAMJO – Griffith CC	10:45
8	A New Risk Management and Internal Audit Framework for Local Councils in NSW – Discussion Paper – Adam McSwain, Brett Stonestreet, John Scarce	11:15
9	Digital Connectivity Sub Committee – Input into Commonwealth Discussion Paper – Bridgett Leopold, Brett Stonestreet, John Scarce	11:40
10	Procurement from a JO perspective – Bridgett Leopold - Meeting with LGP - Legal Advice – Aggregated or Collaborative Procurement	11:55
	<b>LUNCH</b>	<b>12:15</b>
11	Water Sub Committee – Progress and Approach – Bridgett Leopold	12:45
12	Energy Sub Committee – Progress and Approach – Bridgett Leopold	1:15
13	Id. Community Profile	1:20
14	Other Projects - Southern Lights - LSPS Progress - Crown Lands Progress - Community Coaching	1:25
15	Other Business	1:35
16	Close	2:00

**GENERAL MANAGERS MEETING AGENDA**


---

10:00AM – AGENDA ITEM 1 – WELCOME

Chair Frank Zaknich to welcomed attendees to the meeting held at Murrumbidgee Council

---

10:01AM – AGENDA ITEM 2 – APOLOGIES

Apologies: Leeton Shire Council – Jackie Kruger

---

10:00AM – AGENDA ITEM 3 – MINUTES OF THE RAMJO GENERAL MANAGERS MEETING – 26<sup>TH</sup> JULY 2019

Minutes are at **Attachment A**.

**Resolved that the minutes from the General Managers meeting of 26 July are endorsed.**

---

 10:02AM – AGENDA ITEM 4 – MATTERS ARISING FROM MINUTES OF 26<sup>TH</sup> JULY 2019

- **SOUTHERN LIGHTS:** Executive Officer updated all individual council savings have been distributed showing RAMJO combined savings \$800K as led by Julie Briggs from Riverina JO. Financing options for LED lights are being explored and will be defined moving forward. Noted by Albury City that Southern lights project will impact operating budget not Capital works as assets are not owned by council.
- **INCREASING RESILIENCE TO CLIMATE CHANGE:** The Executive Officer submitted two grant applications as per the recommendations to the RAMJO Board. These included the road flooding risk and design improvement proposal as drafted with Griffith City Council, and an energy efficiency and Council building retrofitting application as per RAMJO's strategic priorities. Email received 23/10 stating these were being reviewed but no further update yet available.
- **OFFICE MANAGER RECRUITMENT:** is complete. Welcome to Linda McKendrick!
- **REGIONAL WASTE PROJECT MANAGER:** will commence in the coming weeks.

---

 10:05AM – AGENDA ITEM 5 – RAMJO STAFFING –BRIDGETT LEOPOLD

**Office Manager:** Brief Introduction by new Office Manager Linda McKendrick noting OLG funding has been secured for this position through until June 2020.

**Contaminated Lands Project Officer:** Update from EO regarding resignation of current employee due to offering of permanent role in State Government. Funding guidelines dictate the qualification required for this position and there are limited persons available, around 20 in the state, EO is considering outsourcing some technical aspects and working with the EPA to ensure continuance of this project.

**Regional Waste Project Manager:** Recruitment expected to be completed by the end of the year with the process commencing in the coming weeks.

---

 10:15AM – AGENDA ITEM 6 – DPIE PARTNERING WITH DROUGHT AFFECTED COUNCILS – GILES BUTLER

Giles Butler from Regional NSW presented on a pilot project which is being developed for upskilling landholders in drought affected communities to enable them to generate "off-farm" income. The proposal is to create a register of casual/ part time work locally or with local government via mapping existing skills (e.g. Heavy Vehicle Licences), or providing training to assign formal qualifications. The intent is to provide landholders in drought affected communities with part qualifications/skills to be able to be employed by local government to work on smaller infrastructure projects, creating a win/win situation.

Regional NSW presentation included

- Back ground in the past a qualitative assessment, which has been directed to farmers / graziers and not communities. Via a 2008 policy review on intergovernmental agreements focusing on drought preparedness, a quantitative tool was developed and is now used to measure drought more thoroughly from a State Government perspective.
- The NSW combined drought indicator - 5 phases of drought were developed varying from intense drought to non-drought. All of RAMJO, apart from some areas of Albury, are in drought or drought intensifying status. Indices used combining the past 12 month's data or rainfall to enable better assessment and are updated monthly to reflect the current situation. The drought indicator also considers crop growth, rainfall and soil water index. Naturally, there is some confusion relating to variances in state and federal calculations and communication which differ slightly. NSW Government now have a clearer capacity to define drought situation, and maps are available for councils to review if required.
- Situations and short term outlook is less than required (with a 35% chance of less than median rainfall for November. BOM climate guide for past 30 years suggests climate change is occurring as predicted, with more hot days over 38 degrees, and the 10 year rolling average indicates significantly hotter days.

This information could be useful for consideration in strategic planning, such as Local Strategic Planning Statements (LSPS) .

- Priority is Upskilling farmers and business workers to assist with infrastructure related programs to help communities in general. While funding opportunities remain for Councils, Some LGA's struggled to put together grant applications due to resourcing issues
- Community feedback indicates that Mental health workshops are now being seen as been excessive – and a new approach is needed to create benefits, which can be achieved through providing off-farm work opportunities.
- While the Farm Household Allowance (FHA) can be applied for households and training expenses, only 20% of eligible households are currently receiving FHA. Therefore the upskilling and casual work pool pilot program could be an opportunity for councils to assist and provide additional spending into the community. Eligibility can be linked to an identified job, with scope to improve local economy. There are many demonstrated indirect mental health benefits through off-farm interactions, via upskilling and not direct mental health programs.
- An example includes Gilgandra Council – who approached NSW to upskill workers for the inland road project. While there were 90 applications for these opportunities, only 6 were qualified and the finding is that there is a need for more emphasis on screening. Second round now starting. Rail is now being constructed with other shires coming on board for inland rail route jobs in the near future. (2 years)
- Regional NSW is proposing an Upskilling pilot with Murray River and Temora councils, working collaboratively with the DCP Drought communities program. Small infrastructure programs could fit with organising labour from farming communities. Funding is available now so identify the projects, skills required, RPL, identify competencies and opportunities. Issues around timelines for spending government funding are being experienced by some council, with constraints around the requirements.
- **Closing:** NSW Govt still evaluating and bringing programs online, and would like more consistent interaction with local government representatives regarding drought initiatives. Regional NSW proposal a similar model to that agreed with RIVJO, where Community Managers were identified as a common “go-to” for State Government interactions, including linking consistent drought messages on Council websites, such as NSW “drought hub”.

**RESOLVED:** Each GM to provide the EO with relevant Community Manager Contact to create a RAMJO network of contact for ongoing NSW DPIE communications. Councils and RAMJO to promote Drought HUB and FHA on their websites. Murray River to work on developing pilot program with potential to replicate across the group.

---

#### 10:45AM – AGENDA ITEM 7 – RMS - ROAD MAINTENANCE COUNCIL CONTRACT (RMCC) - PROPOSAL FOR RAMJO – DAVID TAMLYN AND BRETT STONESTREET

Discussion was facilitated by Brett Stonestreet and David Tamlyn regarding a new Contract RMS have developed for works on State Road network by Councils (i.e. Single Invitation Contract).

In brief terms, the responsibilities of Councils in order to comply with the new Contract are quite onerous. Some Council are well advanced in terms of preparation of documentation and systems to comply but some Councils are likely to find the requirements onerous, at the very least from an administrative perspective (including pre-qualification for Ordered Works).

RMS Contracts are important to many Councils in terms of maintaining staff levels and plant fleet but this new contract may put these matters at risk due to the Contract requirements.

**Opportunity:** Griffith has offered a proposal that RAMJO enter into a Contract directly with RMS. RAMJO would sub-contract each Council (not compulsory to participate) to undertake works within their own local government

area (as they do now). Griffith is prepared to allow RAMJO to use our documentation as a starting point to assist with RAMJO reaching pre-qualification.

**Limitation:** RAMJO would need to employ staff to administer Contract with RMS and Sub Contracts with Councils. Staff employed by RAMJO would be located at an existing Council Office (location to be determined). The JO would be pre-qualified with each Council (i.e. sub-contractor) required to work under the systems put in place by RAMJO. This would require an audit function which would be recovered from RMS under the Contract.

**Potential Revenue Stream for RAMJO**

In addition to the above proposal, a suggestion that participating Councils would add a margin to their sub-contract quoted price for works but that margin be later returned to RAMJO voluntarily as a separate matter to the contract. This returned margin would support the sustainability of RAMJO.

**Attachment B - documentation received from RMS** (including new draft contract). This documentation would have been sent to all GMs in RAMJO. RMS has invited Councils to make submissions, **which close Friday 8 November 2019.**

One key issue is the roll out time line for the new Contract. RMS proposes to have all Council execute contracts by 29 November 2019 with a start date of new contract being 1 March 2020. These dates are unrealistic to achieve and the submission should stress that the start be 1 July 2020.

**RESOLVED:**

Each GM to provide dot points to the EO on their input into a collective JO submission requesting RMS consider the JO entering directly into a contract with RMS as opposed to individual Councils. Points could include the understanding that each council have the first option to complete works in their own areas under the JO. The joint Submission should include areas for concern, local impacts on people and jobs, and leveraging off collective bargaining power to achieve single contract between JO and RMS.

Further points for consideration:

1. Are RMS interested in contracting directly with RAMJO? Can individual Councils be compliant, consistent, keeping existing plant and staff locally and also retaining some margin under the new contract conditions? Current contract clause re margins are to be removed, and a push for councils to be not-for-profit is not sustainable or strategically sound.
2. Can RAMJO deliver systems and processes as required? Should RMS agree to investigate options relating to the JO, a business case will need to be developed to support Investment in business case would prepare model options fit-for-purpose (e.g. Councils to be Subcontractor or supplier?)
3. Submissions due 8<sup>th</sup> November and as a starting point the JO can use source documents provided by Griffith Council.
  - A. Request RMS to extend date for commencement of the new contract to be 1 July 2020.
  - B. Confirm will RMS consider engaging directly with RAMJO on behalf of councils.
  - C. A business case will need to be prepared for consideration, can we effectively deliver?

---

11:15AM – AGENDA ITEM 8 – A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL COUNCILS IN NSW – DISCUSSION PAPER – ADAM MCSWAIN, BRETT STONESTREET, JOHN SCARCE

Discussion and a consensus that the new requirements in the discussion paper are excessive for councils to comply with and the qualifications for audit committee members are onerous with limitations and potentially excessive costs. There is an obvious role for RAMJO in this region within the guidelines, should input into the discussion paper not be taken on board.

RESOLVED: All GM's to provide input to EO by 8<sup>th</sup> November for collation into a RAMJO submission, which has to be re-distributed for comment by 15<sup>th</sup> November. Submissions need to be approved by council prior to deadline of 31<sup>st</sup> December.

---

11:40AM – AGENDA ITEM 9 – DIGITAL CONNECTIVITY – BRIDGETT LEOPOLD, BRETT STONESTREET, JOHN SCARCE

**NOTED: The Executive Officer presented the RAMJO submission into the Commonwealth's Discussion Paper on Digital Connectivity. The submission will be made public on the Commonwealth's Department of Communication and the Arts website.**

---

12:15PM – LUNCH

---

12:30PM – PRESENTATION SHERIDAN HOPKINS TCorp

TCorp gave a presentation to the General Managers, including an overview of TCorp infrastructure funding available including Low Cost Loan initiatives in partnership with OLG to bring forward housing construction. Loan conditions include a maximum of 10 years with 50% reduction in rates. This brings the effective rate on loans to less than 1% through TCorp, but rebate can be claimed through other finance institution if preferred. Funds can only be used for Infrastructure not loaned to other parties for construction. **Presentation is attached.**

---

12:40PM – AGENDA ITEM 10 – PROCUREMENT FROM A JO PERSPECTIVE – BRIDGETT LEOPOLD

The Executive Officer provided an update on the early stages of mapping a legal framework relating to possibilities for JO procurement.

Identified by the EO as a capacity building program, RAMJO is working with other JO's via seeking advice around risk, legislation and regulations required to establish collective procurement. Finding of legal advice suggest different models the JO could provide, including:

- (1) Coordination and administrative support role: such as preparing collective templates, specifications, etc
- (2) Facilitate the procurement process via collating volumes, combining specifications and managing the contract ( using combined volumes of Councils, but with no obligation on councils to purchase from suppliers unless they choose to enter into a direct contract with the supplier).
- (3) JO procures on behalf of councils; the risk with this model is higher, although the efficiencies, savings and 'ease' for Councils would be more beneficial. The legal advice has identified legislative anomalies which will require amendment, and the financial burden the JO could carry on behalf of the Councils remains a matter for consideration.

Next steps: four JOs (with approximately 40 councils) are writing to OLG to suggest the regulations be amended to ensure JOs can undertake procurement on behalf of Councils. A MOU would need to be in place between JO and councils to comply with risk mitigation processes and anti-competitive legislation. Criteria are to build capacity and create an income stream in line with SSRP objectives.

The Executive Officer identified that to move forward, funding will be required to receive further legal advice and ensure a framework is created. This will require funding, for which the Executive Officer has provided a strategic outline to the OLG for the \$150k "capacity building" funding. The EO is unsure of timeframes or the process for OLG to make a decision on the projects which make up the funding as this has not been communicated by OLG, only that the funding must be expended by 31<sup>st</sup> December 2020.

The EO asked for input from the GMs on which model would provide the greatest opportunity for capacity building and a mutually beneficial relationship between the Councils and the JO, and it was agreed that option 3:



where the JO procures on behalf of the Councils, would be the most rewarding option. Within this option, we could also seek to identify 'champion' Councils for varying service or contract requirements.

Recommendations to the Board include:

- Need clear legal framework between JO and councils
- The submission of 3 models, with a preference for Option 3.
- Should option 3 be preferred, an MOU needs to be priority. Option 3 also includes the greatest option for RAMJO to create a sustainable income while reducing staffing, administrative and cost burdens of Member Councils.
- Further elements of this priority include capacity building with local suppliers, and a discussion between RAMJO and Local Government Procurement has already occurred for possible partnerships in this space.
- EO has category spend by council to evaluate from Local Government Procurement and identify opportunities.
- Some Member Councils already have advanced procurement systems and would need to see cost savings in order to support, Murray River also researching tender service providers and will provide feedback to the GM group.
- Support for Option 3 particularly for areas where there is no local supplier on the LGP contract, or encourage local suppliers to meet the market by taking group contracts through JO.

RESOLVED: The GMs agreed that RAMJO would:

- (A) partake in a group JO letter to OLG to clarify legislative framework and supporting regulations (B) Option 3 to be presented to Board for consideration noting it as preferred

---

#### 12:50PM – AGENDA ITEM 11 – WATER SUB COMMITTEE – BRIDGETT LEOPOLD

The Executive Officer provided an update on progress. Input into the following bodies is underway:

- Independent Panel on Socio-Economic Impacts
- Committee on Drought (Justin Clancy)
- ACCC – Murray Darling Basin Water Markets Enquiry

Sub Committee has met twice, driven by Cr. Chris Bilkey with positive outcomes including:

- Finalising advocacy platform opportunities for working with State and Federal governments
- Considering developing innovation hub to identify opportunities, engage with Government partners (e.g. CSIRO), create world-class industry excellence and partner with Councils to possibly leverage off innovation funding putting forward proposals and solutions.
- Robbie Sefton attended JO drought conference in Sydney; RAMJO will provide submission to socio economic forum on regional priorities.
- Input in Justin Clancy is leading a Committee on Drought, RAMJO is drafting a submission.
- RAMJO is also refining its position on the water trading market limitations and impacts, which will be pertinent as a basis for input into the ACCC's enquiry on the water trading market.
- EO will distribute details to GM group: Event 20<sup>th</sup> November Moama "Busting the Myth" 9.30am-4.30pm.

---

#### 1:00PM – AGENDA ITEM 12 – ENERGY SUB COMMITTEE – BRIDGETT LEOPOLD

The Executive Officer provided an update on progress.

Waiting on outcome of the Increased Resilience to Climate Change grant submission, which would assist the JO in moving forward in this space. Additionally, George Cowan noted that the Clean Energy Council have released guideline on renewable energy proponents to develop community partnerships (attached).

---

#### 1:10PM – AGENDA ITEM 13 – ID COMMUNITY PROFILE – BRIDGETT LEOPOLD

The Executive Officer requested input into RAMJO allocation of funds to this data set.

Board agreed to pay for this community profile in prior year, has not been provided for in current year budget. Some Council have demographic data, and it was agreed that a RAMJO would create a regional profile to bridge data gaps. The EO informed the GMs that an option relating to an economic profile may be more valuable, as some demographic information is already covered under this. The GMs voted to adopt the economic profile, upfront cost \$12K EO to check ongoing costs to support evidence based decision making and strategy.

RESOLVED:

- (A) Amended budget to be submitted to board for approval to include this spending, likely to be taken from the remaining "Strategic Priorities Funding". (Flat fee and ongoing costs to be determined for budgeting)
- (B) Recommend RAMJO progress with the economic profile over demographic profile.

---

#### 1:20PM – AGENDA ITEM 14 – OTHER PROJECTS – BRIDGETT LEOPOLD

- Southern Lights (Attachments E): Note smart technology now separated from LED to ensure progress of the project. LED program rollout is underway. The Executive Officer will provide details to all GMs via official correspondence. Moving forward, smart technology system may be removed from program as systems are overly complicated and not cost effective.
- Local Strategic Planning Statements (LSPS) Progress: Berrigan took the lead in planning and delivering on a RAMJO-wide information sharing seminar. This included basic mapping to undertake the early stages of the LSPS via a regional approach. EO to send out progress to date to GM of Hay Shire Council – submissions due June 2020.
- Crown Lands Progress: template submitted to the Crown Lands team in EPA (as developed by Leeton) has been approved. It should be available to share / use for Plans of Management for each council to consider if needed EO could take concerns over native title legislation back to Crown Lands / EPA if required.
- Community Coaching: EO provided an update on funding received from Murrumbidgee Primary Health Network, titled "Empowering Our Communities" for drought related impacts. The EO is running a pilot at Deniliquin, focussing on a 'life coaching' approach including training community champions, with positive feedback for the program so far. Ongoing coaching to workshop participants will be provided, involving GP networks, industry leaders and mental health staff with monitoring tools to analyse results. The pilot program will run from 21-22 November, program and information on RAMJO website.

---

#### 1:25PM – AGENDA ITEM 15 – OTHER BUSINESS

---

##### LOCAL GOVERNMENT ELECTIONS

- Concern over upcoming election costs, high labour costs, increased school hire and security charges. Consider sharing returning officer engagement costs.

---

##### JLT INSURANCE

- EO update regarding insurance concerns – confirming all councils are covered under existing policies for the following entities undertaking work with / on behalf of Councils: RMS, RailCorp and John Holland

---

#### IWCMS / SAFE AND SECURE WATER

- SSWP funding for regional urban water planning. Other JOs are demonstrating an interest and would like to work together. The GMs indicated that it would not necessarily be the most effective approach to undertake this piece of work collectively. Therefore, no further action required by RAMJO.

---

#### ROAD RECLAIMER

- Road reclaimer, new machine purchased by Murray River available for other councils if required.

---

1:30 PM - CLOSE

Trapping Goulburn Murray Valley (GMV)  
Regional Fruit Fly Project.

# TRANSITION PLAN



## Document Control

Version	Date	Authorisation
Draft v1	4/11/19	
Draft v2	29/11/19	

## Executive Summary

---

The GMV Regional Governance Group provides the following answers to the questions posed by the Victorian Government:

*What is the big picture outcome that the region wants in relation to the management of fruit fly?*

The overarching goal desired by stakeholders is the on-going, area wide management of QFF. Proper management of QFF is required in order to add value to growers in terms of lowering operating costs through fewer and more targeted applications of pesticide and the export opportunity that area wide management of QFF affords growers. The region has recently experienced its best year of exports from the region and the Regional Governance Group feels strongly, that if the GMV Regional Fruit Fly Project continues, further industry growth can occur through increasing exports, which can provide an impetus for growers to increase production in the future.

Overall, stakeholders identified the following future program goals:

- On-going management and control of QFF
- Increasing access to exports
- Supporting local jobs and the economic sustainability of the region
- Variety of community benefits (that have been generated through the current program)

*What have they valued from the current program and why?*

The Regional Governance Group has valued the entire GMV Regional Fruit Fly Program. The Regional Governance Group feels strongly that all aspects of the program have supported each other, creating an environment that has generated the current success of the program.

**The Regional Governance Group found educational workshops very valuable** as they were able to communicate effectively to the community the dangers associated with QFF as well as a variety of information, including QFF lifecycle, preventative actions and methods.

**The Regional Governance Group found the marketing and promotional activities very valuable** as they further supported the educational workshops to effectively raise the profile of QFF to the wider public (that could not necessarily be reached through the educational workshops).

**The Regional Governance Group found the tree removal program very valuable** as an activity that could directly disrupt the QFF lifecycle and remove potential host trees.

**The Regional Governance Group found the trapping grid and monitoring system very valuable** as it provided considerable information regarding the prevalence and movement of QFF in the region, which was then used by growers to direct their on farm preventative actions.

**The Regional Governance Group believes the research program is very valuable** as it provides the potential for better QFF management in the future.

*Funding options (list who could fund and how)*

Stakeholders identified that the Commonwealth Government through a variety of departments could be a potential future funding partner of the program. However, it was acknowledged that accessing Commonwealth Government funding would require additional time beyond the June 2020 deadline when current funding ceases.

*What would the group do if there was no money past 2020?*

In the absence of funding, nothing would happen and the gains made would be lost. Growers would not have any information and would return to using more pesticides across their crops to try and protect them from QFF. All marketing and educational programs would cease as well as the trapping grid. Access to export markets would decrease, placing financial pressure on local growers.

*What would the group do if minimal funding was available? Eg 100,000?*

If minimal funding was available, nothing would happen, as the success of the program is based on **all** activities working in unison. All gains would be lost and growers would return to using more pesticides across their crops to try and protect them from QFF. Access to export markets would decrease, placing financial pressure on local growers.

*What would the group do if they could access significant funding \$500,000?*

If \$500,000 of funding was available, some programs could continue, however, without all programs, the program would not be as effective and aspects of the current area wide management program would be lost. Without area wide management, access to export markets would likely decrease, placing financial pressure on local growers.

*Which stakeholders have indicated that they are prepared to support activities financially?*

Local governments highlighted that their budgets are already constrained, and they could not contribute any funding to the future program. They would be willing to continue to support the project in-kind.

Growers identified that their margins are already under pressure from rising operating costs, particularly the cost of water, which increased 18% over the previous year and are likely to rise another 19% this year. Growers are not able to contribute funding for the program.

*Which stakeholders have indicated are prepared to support the activities plan in kind?*

Local governments indicated that they would be willing to continue their in-kind contribution. Lions have also committed to providing their current in-kind contribution, valued at \$300,000 per year.

*What would be the preferred option of the group and how would they propose it be funded?*

The GMV Regional Governance Group, representing all stakeholders including growers, the community and the local governments involved, identified that their preferred option would be for the Victorian Government to continue its support of the GMV Regional Fruit Fly Program over the next 3 years at a funding rate of \$800,000 per year, escalated annually by CPI.

As highlighted in this report, the Victorian Government benefits greatly from this program in the form of economic growth and boosting the value of Victorian exports. Through maintenance of the GMV Regional Fruit Fly Project, exports from the GMV could exceed \$300 million over the next three years (from \$80 million in 2018-19). This level of increase could add \$68 million to the economy (in Gross Regional Product terms) and 441 jobs in the region (in year 3).

**Considering the GMV Regional Fruit Fly Program in Isolation is a Mistake**

The GMV Regional Governance Group feels strongly that considering the Regional Fruit Fly Program in isolation is a mistake and will lead to ill-informed decision making. Understanding the current operating environment for growers in the GMV region provides the appropriate context in which to understand the importance of the GMV Regional Fruit Fly Project.

Growers are currently under pressure from rising costs, particularly the cost of water, which is putting operating margins under pressure. As this pressure continues, growers are faced with the potential decision to sell their water allocations (which currently are attracting high prices) and then sell their farms. The access to export markets that the GMV Regional Fruit Fly Project provides, allows growers to access premium prices between 60% and 200% higher than domestic prices. The increased revenue generated from exports allows growers to better manage the rising operating costs.

For these reasons, the GMV Regional Fruit Fly Project is of extreme importance to growers in the GMV region, as it currently provides area wide management that allows them to access export markets. There is tremendous scope for growth in exports from the GMV region, if this access can be maintained.

The GMV region differs from other regions impacted by QFF, such as the Sunraysia region. The Sunraysia region exports up to 80% of its production, particularly table grapes and citrus, which are less susceptible to QFF and more suitable for cold treatment, which is currently applied for various protocol markets. Products from the Sunraysia region also enjoy higher prices. As such, the Regional Fruit Fly Project is more important to the GMV region than the Sunraysia region.

# Table of Contents

---

Executive Summary.....	ii
Table of Contents.....	v
<b>1. Introduction.....</b>	<b>1</b>
<b>2. Regional Fruit Fly Project Overview .....</b>	<b>3</b>
2.1 Background.....	3
2.1.1 <i>The Queensland Fruit Fly</i> .....	3
2.1.2 <i>Regional Fruit Fly Program</i> .....	3
2.2 Program Overview .....	4
2.2.1 <i>Education Workshops and Programs</i> .....	4
2.2.2 <i>Marketing and promotion</i> .....	5
2.2.3 <i>Tree Removal</i> .....	6
2.2.4 <i>Trapping Grid and Monitoring of QFF</i> .....	8
2.2.5 <i>Research</i> .....	9
2.3 Results .....	10
2.3.1 <i>Program Results</i> .....	10
2.3.2 <i>Program Recognition</i> .....	10
2.3.3 <i>Community Benefits</i> .....	11
2.3.4 <i>Environmental Benefits</i> .....	11
2.3.5 <i>Economic Benefits</i> .....	11
<b>3. Future QFF Program Requirements .....</b>	<b>13</b>
3.1 Program Goals .....	13
3.2 Program Activities .....	13
3.3 Human and Financial Resources.....	14
3.4 Preferred Option for the Future.....	15
<b>4. Current Operating Environment.....</b>	<b>17</b>
4.1 Regional Overview .....	17
4.2 A Significant Horticultural Region.....	17
4.3 Economic Importance of Horticultural Production .....	20
4.4 Increasing Costs to Growers .....	20
4.4.1 <i>Increased Operating Costs</i> .....	20
4.4.2 <i>Increasing Cost of Water</i> .....	22
<b>5. Future Potential Growth.....</b>	<b>25</b>
References.....	26
Appendix A: GMV Fruit Fly Affected Production.....	27
Appendix B: Educational Workshops and Programs .....	29
Appendix C: Marketing and Promotional Programs.....	30
Appendix D: Tree Removal Program Detail .....	31
Appendix E: Trapping Grid Detailed Information .....	32



# 1. Introduction

---

This Transition Plan has been prepared by the Regional Fruit Fly Project Regional Governance Group – Goulburn Murray Valley, as requested by the Victorian Government.

The Goulburn Murray Valley (GMV) Regional Fruit Fly Project has been funded by the Victorian Government since January 2017 as part of the *Managing Fruit Fly in Victoria Regional Grants* program. The current funding agreements for this activity cease on 30 June 2020, which is the genesis for this Transition Plan.

This Transition Plan provides a comprehensive overview of the GMV Regional Fruit Fly Project, its outcomes as well as the requirements of the program into the future. Additionally, Fresh Intelligence was engaged to provide an up to date estimate of current production from the GMV Region since the Agricultural Census is the only data available at the LGA level and the most recent data is from 2015-16. Also, an assessment of the project's economic benefits to the GMV Region was also commissioned from Lucid Economics, a specialist consultancy in economic impact assessment. This information has been included to support the overall context and importance of the Regional Fruit Fly Project to the GMV Region.

## **Regional Governance Group Members**

Berrigan Shire

Moira Shire

Campaspe Shire

Greater Shepparton City Council

Strathbogie Shire

SPC

Cobram and District Fruit Growers' Association

Goulburn Murray Water

IK Caldwell

Biosecurity

Victorian Department of Economic Development, Jobs, Transport and Resources

The GMV Region makes a significant contribution to the State's agricultural production and exports, thereby creating economic wealth for Victoria and fulfilling a critical economic role locally, providing considerable employment across the region. The Regional Fruit Fly Project has made an important contribution to the local industry, greatly bolstering the industry's sustainability and ability to make its economic contribution to the region.

**The Goulburn Murray Valley (GMV) Region is Different**

The GMV region differs from other regions affected by QFF, such as the Sunraysia region. The Sunraysia region already enjoys considerable access to export markets (up to 80% of table grapes and citrus is exported). These products are less susceptible to QFF than stonefruit, the major export product of the GMV region. Stonefruit grown in the GMV region is maturing at the height of summer, when the risk of infestation is high. Additionally, table grapes and citrus are well suited to cold treatment for protocol markets and are in strong demand. Stonefruit grown in the GMV region does not enjoy the same level of demand in export markets and is not as well suited to cold treatment, which puts the crops at a competitive disadvantage compared to table grapes and citrus from the Sunraysia region (for export). Table grapes and citrus are also higher value crops relative to stonefruit from the GMV region, which again places competitive pressures on local growers in the GMV region.

For these reasons, the QFF program has been very valuable to local growers in the GMV region, potentially adding a greater level of value than the QFF program in the Sunraysia region.

## 2. Regional Fruit Fly Project Overview

---

### 2.1 Background

#### 2.1.1 The Queensland Fruit Fly

The Queensland fruit fly (QFF) is native to Australia and is recognised as one of two types of fruit fly in Australia that are among the most damaging insect pests to horticultural production in the country. QFF is native to Eastern Queensland and North-Eastern New South Wales, but its reach has extended to other parts of Queensland, Northern Territory, New South Wales and Victoria.

Fruit fly outbreaks have the potential to limit production for growers and result in reduced income through lost trade opportunities. QFF attack many of the major crops in the GMV Region including pome fruit, stone fruit, tomatoes, berry fruits, cherries, citrus and grapes.

While growers typically treat for fruit fly through the use of pesticides, the biggest threat comes from their proximity to residential settlements and towns. There are often a number of host trees in these areas that can sustain fruit fly populations, which allows the fruit fly to breed and spread to nearby farms. In residential areas, fruit fly are able to survive longer as temperatures in suburban neighbourhoods are often warmer than conditions on farms. Abandoned orchards are another potential host breeding ground that allows the pest to spread to nearby farms.

QFF penetration of a single piece of fruit is undetectable to the human eye, making it very difficult to identify and sort out from other uninfected fruit. It is not possible to simply identify the infected fruit as 'rotting' and discard from the harvest. As such, many countries around the world have very strict protocols in place for importation of fruit and vegetables to ensure that QFF is not imported.

#### 2.1.2 Regional Fruit Fly Program

Over time, the GMV Region has had populations of QFF that vary from one year to the next. However, in 2015, the population peaked, causing significant issues for local industry. In response to this peak QFF population in the GMV Region and others, the Victoria Government developed the *Managing Fruit Fly in Victoria: Action Plan 2015-2020* as a state-wide effort to better manage the QFF and other more exotic fruit fly populations.

As part of the State-wide Action Plan, Regional Action Plans were developed in order to coordinate all stakeholder contributions and actions at the local level, which included:

- Commercial and urban/community monitoring and control programs
- Communication and engagement plans, including education programs (e.g. Ground Up)
- Government regulation and compliance programs
- Research priorities
- Review frequency

Regional governance groups were established to support and guide the development and implementation of the Regional Action Plans.

The GMV Regional Governance Group was formed and created the GMV Regional Action Plan, which has three over-arching objectives:

- The GMV Region has strengthened fruit fly management through co-ordination and collaboration between industry, government and community
- That fruit fly management in GMV is improved in commercial orchards and community areas
- That fruit fly research is supported and prioritised in the GMV Region

## 2.2 Program Overview

The GMV Regional Fruit Fly Project started in 2017 and based on the GMV Regional Action Plan, the program has five key activity areas, including:

- Education workshops and programs
- Marketing, events and promotions
- Host tree/plant removal/eradication
- Trapping grid and monitoring of QFF
- Research/trials

### 2.2.1 Education Workshops and Programs

A busy schedule of educational workshops and programs has been undertaken across the GMV Region. These workshops and programs catered for a broad range of groups (i.e. grower organisations, Government departments, landcare networks, gardening clubs, schools, Rotary, Lions, Probis, Men's Sheds, farmers markets, community markets, agricultural field days and special events). Please refer to **Appendix B** for a full list of the educational workshops and programs.

Due to a lack of coordinated management regarding fruit fly and its impacts prior to the program, there was a need to significantly raise awareness of the issue as numerous misconceptions existed within the community.

In order to drive attendance at workshops, they were held in a range of key geographic locations across the GMV Region including the larger cities and towns and in more remote communities. Workshops were held during the day, evenings and on weekends and in conjunction with grower groups, community groups and schools. Print, radio and television media was also used to raise awareness of the issue and to drive attendance at workshops.

Workshops included a variety of information that was often customised to the audience (i.e. a school group versus a grower group). During the workshops, the coordinator would present information regarding QFF, its life cycle as well as how the community can participate in proactively managing QFF. A number of learning aids were used during the presentations to make the process interactive and increase learning outcomes.

The project organised and facilitated the GMV Regional Fruit Fly Expo conducted from the 27th of August 2018 to the 3rd of September 2018 as part of the campaign to raise awareness amongst the community and provide education about QFF and various management practices.

Beyond the workshops, attendance at Farmer and Community Markets was also effective in raising awareness and educating the community regarding QFF. A stall was set up at these markets and advice, samples and information were provided.

A number of important community partnerships were forged during the program, which greatly increased the reach and effectiveness of the educational programs. The program partnered with Lions, Rotary, grower organisations, GV Connect, nurseries, gardening clubs, land care groups and schools. In particular, the GMV Fruit Fly Project formed a strong partnership with Lions International District 201V6, who adopted fruit fly as their key regional activity until July 2020. This initiative effectively provides access to an army of dedicated volunteers who work with the GMV Regional Fruit Fly Coordinator to undertake a wide range of fruit fly community education and control activities. Through this partnership, the education activities of the GMV Fruit Fly Project were greatly enhanced.

Additionally, Rotary International was engaged as a project partner in educating and managing QFF within their communities by assisting the aged and disabled in pruning fruit trees, picking fruit, disposing of unwanted fruit, monitoring traps and protecting crops with QFF netting.

Grower workshops and seminars targeted commercial fruit and vegetable growers and addressed the GMV QFF Project trapping/mapping grid, Area Wide Management (AWM), Sterile Insect Technique (SIT), Integrated Pest Management (IPM), farm hygiene, abandoned orchards, rogue trees and other technical aspects of the program.

**The Regional Governance Group found educational workshops very valuable** as they were able to communicate effectively to the community the dangers associated with QFF as well as a variety of information, including QFF lifecycle, preventative actions and methods. The Regional Governance Group believe that the educational workshops are a critical aspect of the success of the program and a strong contributor to area wide management of QFF.

### 2.2.2 Marketing and promotion

The creation of a strong profile and brand has been critical to effective marketing and promotion of the program, which has greatly increased awareness of QFF and the need for proactive management throughout the community. The 'No Flies on Us' brand was established and formulated by professional designers (Figure 2.1). This branding extended across all forms of media, stationery, uniforms and other presentations and is upgraded each fruit season.

A cohesive Marketing and Promotions Media Plan for Television (7,545,197 viewers), Radio (14,122,150 Listeners), Print (4,186,545 readers), Signage (240 Units), Electronic Billboards (420,000 viewers), Web/Social Media (98,262 views) and Information Packs/flyers/posters/stickers (34,816 distributed) was designed to create awareness, education and engagement in the GMV Region. Additionally, the project marketing and promotion strategy links in with community, industry and government media sites to maximise coverage.

**Appendix C** provides further details regarding the reach of the program as well as examples of specific campaigns.

Figure 2.1 'No Flies on Us' Brand



Source: GMV Fruit Fly Project

Media has been customised to target community, grower and/or industry interests. In addition to the media advertising, a wide range of program information has been created and made available through the five local governments in the GMV Region, including tourist information centres, retail outlets and other relevant venues.

The Regional Coordinator has attended a large number of meetings and information sessions with stakeholders and other organisations, which has aided in the promotion of the program and helped to build relationships, share information and plan additional activities.

Two hundred and forty rigid signs, large banners and bollards have been distributed and erected at strategic points across the GMV Region including entry or exit points and central places in thirty seven townships. These signs have supported other marketing and promotional efforts and aided overall awareness of the program. Additionally, large and small enclosed project equipment trailers have been vinyl wrapped in project branding and magnetic and vinyl signage have been fitted to growers' utes, commercial vehicles, etc. These trailers and vehicles act as roving billboards that help create further awareness and promote engagement in the GMV Region and beyond.

**The Regional Governance Group found the marketing and promotional activities very valuable** as they further supported the educational workshops to effectively raise the profile of QFF to the wider public (that could not necessarily be reached through the educational workshops). The Regional Governance Group believe that the marketing and promotional activities are a critical contributor to the success of the program. The Group also feels that the marketing and promotional activities are a strong contributor to area wide management of QFF.

### 2.2.3 Tree Removal

Tree removal is another important aspect of the program and focuses on removing trees that can host QFF. Through the Regional Fruit Fly Project, tree removal services were provided including free urban fruit tree removal, rogue tree removal and the removal of unmanaged orchards. Each of these programs required the creation of administration and management tools to control all aspects of the relationship building each process with each customer (i.e. Community, Growers, Local Government, Vic Roads, Murray Goulburn Water, V Line, etc.). Other systems were required and established to manage customer service, legal issues, application forms, confidentiality agreements, employment of professional and insured contractors, green waste disposal, data base administration, quality control and complaints process. A total of 5,454 private and public QFF host trees/plants have been removed/eradicated in the GMV to date through the Regional Fruit Fly Project.

### **Private Host Tree/Plant Removal/Eradication**

This initiative was driven through community workshops, information packs and media. As a consequence of this strategy there was demonstrated high demand. Tree removal is prioritised according to risk. When QFF hot spots areas are identified through the regional trapping grid, the surrounding property owners are contacted and advised of appropriate management practices. As part of this support process, property owners are advised of the free fruit tree removal program and offered prioritisation if they choose to participate.

Throughout this process, great care was taken to make the application form a legally valid document. Each local government is required to cross reference the applicant's name against Council records to make sure that it is the actual landowner who is authorising the removal.

All applications are prioritised (i.e. high pressure areas), processed and entered on a spread sheet in order track and keep records regarding every tree that has been removed under the program.

**Appendix D** provides further details regarding the Private QFF Host Tree/Plant Removal/Eradication Program.

### **Public Tree/Plant Removal/Eradication**

As with residential tree removal, similar management tools were required and created to control all aspects of the public tree/plant removal/eradication program (i.e. customer service, quality control, complaints, contractors, administration, etc). The project has been successful in removing/eradicating QFF host plants from public lands to date and it is envisaged that greater numbers will be removed in 2019-20. The project has encouraged a proactive approach to be taken by several local governments and Vic Roads, who have responded by engaging contractors and are removing or eradicated rogue fruit trees from lands under their responsibility.

**Appendix D** provides further details regarding the Public QFF Host Tree/Plant Removal/Eradication Program.

### **Unmanaged Orchard Removal**

Similar to urban tree removal and rogue tree removal, abandoned orchards removal required its own set of management tools to create and control the process.

Foremost in this area, were concerns for probity, correct communication technique, confidentiality, legitimacy of claims, auditing of applications, value for spend, certified contractors, administration, customer service and complaints process. Abandoned orchards were identified across the region. The size and type of orchards established as well as the estimated cost of removal were required. Once the scope of the removal was identified, it was entered into a separate database so that it could be actioned. To date, 288 ha of unmanaged orchards have been scoped in the GMV Region (i.e. their removal has been fully costed and detailed specific removal plan organised). After extensive consultation, formal applications have been received for eight landholders, representing 122 ha (40,349 trees) for removal at a cost of \$161,396. These applications will be actioned upon inspection and recommendation by a representative of Ag Vic.

**Appendix D** provides further details regarding the Unmanaged Orchard Removal Program.

**The Regional Governance Group found the tree removal program very valuable** as an activity that could directly impact the QFF lifecycle and remove potential host trees. The Regional Governance Group believe that all the tree removal activities are a critical factor to the success of the program. The Group also feels that the private tree removal, public tree removal and the removal of trees from abandoned orchards are a strong contributor to area wide management of QFF.

The Group notes that while many of the abandoned orchards have been scoped (i.e. the removal has been fully costed and detailed specific removal plan organised), only a small fraction of trees from abandoned orchards have actually been removed. Furthermore, the Group notes that many more private and public trees exist and that the urban areas are primary risk areas for QFF breeding.

#### 2.2.4 Trapping Grid and Monitoring of QFF

The GMV Project Coordinator commissioned an independent researcher to analyse, interpret and monitor fruit fly populations in the region. The establishment of a trapping grid to monitor the movement and prevalence of QFF in the GMV Region is an important facet of the program and a step towards future potential designation as an Area of Low Pest Prevalence (ALPP). The trapping grid allows for the monitoring and recording of QFF prevalence around the region, which can lead to the identification of hot spots or mass migration of QFF across the region. Armed with this information, growers can better manage their on-farm management practices, often making better use of their spraying for pests. As such, this information allows growers to more efficiently manage their application of pesticides, which reduces operating costs, increases efficiency of their sprays and has environmental benefits as it will lead to fewer, more targeted spraying of farms.

The GMV QFF Project trapping and mapping grid required independent research, analysis and interpretation of constantly updated data to provide growers and the community with forecasts to implement appropriate control and management practices. This research extended to identifying high pressure areas so field officers could be activated and implement control measures. The independent researcher compiled monthly updates, forecasts, outlooks and best practice reports that were disseminated to the community, industry and government.

While the independent researcher was critical in the establishment of a trapping grid in terms of its location and design, field officers and other volunteers were equally important as they deployed traps and most importantly monitored these traps by counting the number of dead fruit flies. This information was then recorded and reported back to the independent researcher, who was then able to analyse the data to identify overall populations of QFF as well as hot spots. This information was then communicated to growers, the community and government.

These actions, combined with best practice awareness, education and engagement strategies utilised by the GMV Project Coordinator have created a proactive response in monitoring and dealing with QFF populations in the GMV Region.

**The analysis and interpretation of the data gained from the GMV trapping grid established that there had been more than a 50% reduction in QFF numbers trapped in peak times in the 2018-19 season compared to the 2017-18 season. This reduction in QFF has been associated with nearly a 40% increase in stone fruit exports during the last twelve months.**



**The Regional Governance Group found the trapping grid and monitoring system very valuable** as it provided considerable information regarding the prevalence and movement of QFF in the region. The Regional Governance Group feels that the trapping system and the on-going management of information from it are critical factors to the success of the program. The Group also feels that the trapping grid and monitoring systems are a strong contributor to area wide management of QFF.

The Group feels strongly that the identified reduction in QFF (50% reduction over one year) is a direct result of the Regional Fruit Fly Project.

### 2.2.5 Research

As part of the overall project, a range of research and knowledge sharing was undertaken.

As a result of the strong support for the Regional Fruit Fly Project from community service clubs in the GMV, Rotary International invited the GMV Project Coordinator to participate in a fully funded Horticultural Study Tour of the USA and Canada. The GMV Project Coordinator was also invited by many organisations to be a guest speaker and elaborate on Fruit Fly Area Wide Management (AWM) strategies undertaken in the GMV compared to other Fruit Fly Programs. The Western Australia Department of Primary Industries and Regional Development invited the GMV Project Coordinator to advise them on GMV Fruit Fly AWM strategies in the GMV and subsequently requested copies of the strategy as a model for managing Medfly in Western Australia.

Utilising the GMV trapping grid, a three year airborne release of sterile QFF commenced in Cobram in March 2019, with Mooroopna designated a 'control' site for research associated with this trial. This application of Sterile Insect Technique (SIT) seeks to better manage QFF population through the breeding and release of male fruit flies that have been sterilised through x-ray. These sterile male flies are then released over infested areas, where they mate with wild females who eventually become outnumbered and die out. This trial is supported by the GMV project and its stakeholders in the Cobram region.

As part of the GMV Project Action Plan, the Moira Shire and the Cobram and District Fruit Growers Association were funded by Hort Innovation to undertake research into the wintering of QFF within the Moira Shire. An independent researcher was commissioned to undertake this research. The results of this research have been published and disseminated by Hort Innovation to the wider community and as a result, the GMV Project Coordinator has incorporated this information into the regional education workshops and media during 2018-19.

Effective disposal of green waste is considered essential as part of the tree removal program. Research was undertaken into preventing fruit tree removal waste contaminating local government green waste depots with QFF infected fruit. It was determined that only contractors using heavy duty commercial mulchers would be employed to undertake any tree removal, as QFF eggs and larvae in the fruit and still on the branch would be totally destroyed in the mulching process and present no risk to green waste receipt depots.

In May 2019, the GMV Project hosted the 7th Australian Biology of Tephritid Fruit Flies Conference in Shepparton. This brought together key research and emerging opportunities in the management and control of fruit fly. The conference had approximately 150 registrations and 43 abstracts were presented (nearly double the number of the previous conference hosted by CSIRO in Canberra in 2018).

**The Regional Governance Group believes the research program is very valuable** as it provides the potential for better QFF management in the future. The Regional Governance Group feels that the research program is another important factor area wide management of QFF and can potentially lead to the GMV region achieving an Area of Low Pest Prevalence designation.

## 2.3 Results

The GMV Regional Fruit Fly Project has been a resounding success according to all stakeholder groups and across a range of metrics.

### 2.3.1 Program Results

Based on the GMV Regional Action Plan, the project has performed well across all program areas, generating significant results as shown in the table below (Table 2.1). It should also be noted that between 2017-18 and 2018-19, **a 50% reduction in QFF was experienced** and noted through the monitoring and trapping grid. This reduction can largely be credited to the GMV Regional Fruit Fly Project.

Table 2.1 GMV Regional Fruit Fly Project, Summary Results

Program Element	Measurement	Result
<b>Educational Workshops</b>		
Community/ industry Education/workshops/events	Total Participants	9,996
<b>Marketing and Promotion</b>		
Information packs, flyers, posters, stickers, billboards	Total Single Units	36,966
Web/Social Media	Total Views	100,759
Electronic Billboards	Total Views	420,000
Print Media Campaign	Total Readership	4,874,094
TV Media Campaign	Total Reach - viewers	7,545,197
Radio Media Campaign	Total Reach - Listeners	14,122,150
Signage	Total Rigid Signs	130
Bollards	Total Corflute Tri-sided	100
Banners	Total Vinyl 2440 x 1220	10
Signage	Total Towns Displaying	37
<b>Tree Removal</b>		
Private Tree Removal/Eradication	Total Trees Removed	4,789
Public Tree Removal/Eradication	Total Host Plants Removed	1416
Abandoned Orchards	Ha Identified for removal	130
<b>Trapping Grid</b>		
Hot Spot Field Reports	Total Field Reports	2736
<b>Research</b>		
Hort Innovation – Wintering of QFF	Findings published	1
SIT Trial Project	Trial started	1

Source: GMV Project Coordinator

### 2.3.2 Program Recognition

The GMV Regional Fruit Fly Project is comprehensive and wholistic as it works cooperatively across the community, industry and Government. The program addresses both grower concerns as well as a range of QFF host trees across abandoned orchards, residential areas and community areas. The trapping grid allows for effective monitoring for QFF numbers and the identification of hot spots. Armed with this information, growers are better informed to deal with QFF. For many of these

reasons, the GMV Regional Fruit Fly Program has been recognised as best practice in terms of area wide management of QFF.

This position of best practice is evidenced by:

- The WA Department of Primary Industries and Regional Development adopting the GMV Regional Fruit Fly Program in order to better manage MedFly
- The GMV Project Coordinator was invited to present at the National Fruit Fly Conference in 2018
- The GMV Project Coordinator was invited to present as part of the USA-Canada Study Tour in 2018
- Adoption of the GMV Regional Fruit Fly Project as the key regional activity until July 2020
- Shepparton was selected to host the 7th Australian Biology of Tephritid Fruit Flies Conference

Beyond these accolades, there has been broad recognition across stakeholder groups that the GMV Regional Fruit Fly Project has been a tremendous success.

### **2.3.3 Community Benefits**

The project has demonstrated how the community, industry and Government can work together to achieve outstanding results. Through this process, greater levels of community cohesion have been generated as managing QFF has become a community wide issue.

Through the educational programs and engagement with schools, children have a better understanding and appreciation of where their food comes from and the important role that the GMV Region plays in terms of supplying fruit and vegetables to Australia.

The GMV Regional Fruit Fly Project was awarded the winner of the Agricultural Innovation Award at the 2019 Victoria Regional Achievement and Community Awards. Additionally, the project was also recognised as the winner of the Achiever of the Year Award for the 2019 Victoria Regional Achievement and Community Awards.

Feedback has been received by a number of stakeholders that individual community members have been able to grow various fruit and vegetables (such as tomatoes) in their backyard, whereas in previous years these crops were attacked and destroyed by QFF. Numerous residents expressed their high levels of satisfaction with this outcome.

### **2.3.4 Environmental Benefits**

Beyond the community benefits, the GMV Regional Fruit Fly Project has generated environmental benefits through the reduction of pesticide use across the GMV Region. With the information provided through the program, growers are better able to target the application of pesticide to coincide with hot spots of QFF, thereby applying less pesticide than what they otherwise may use.

Additionally, the tree removal program helps to remove non-native species of trees that may be causing environmental damage to the surrounding area. Through the tree removal program, the GMV Regional Fruit Fly Project helps to allow the native vegetation to regenerate in areas where non-native fruit trees have been removed.

### **2.3.5 Economic Benefits**

The GMV Regional Fruit Fly Project has generated economic benefits for the region in two ways:

- Lowering operating costs for growers
- Increasing prices (and revenue) through facilitating access to export markets

Through applying targeted applications of pesticides and using less chemicals than normal, the project has assisted growers to reduce their operating costs. As highlighted in Section 4.4, growers have experienced an environment of rising costs, so any reduction to operating costs can have a material impact on the overall profitability of the operations.

The GMV Regional Fruit Fly Project has provided sufficient tracking and demonstrated sufficient area wide management practices that some growers were able to access profitable export markets. Through the GMV Regional Fruit Fly Project, there was an estimated 40% increase in exports. This increase in exports is important in a number of ways. Principally, access to these exports allows growers to generate premium prices, which greatly increases revenue for growers. This increase in revenue is important in order to allow growers to afford recent increases in operating expenses and the rapidly increasing price of water.

Based on current exports, the 40% increase represents \$7.9 million in production. This level of exports directly supports 23 local jobs in the region and an additional 16 jobs indirectly. The added contribution to the economy (in Gross Regional Product terms) based on this export is \$17.8 million (directly and indirectly).

**Table 2.2 Economic Impact of GMV Export Increase**

	Gross Regional Product (\$m)	Employment (No.)
Direct	\$10.7	23
Indirect	\$7.1	16
<b>Total</b>	<b>\$17.8</b>	<b>40</b>

Source: Lucid Economics

It should be noted that if the GMV Regional Fruit Fly Project were to continue, it would be expected that exports would increase, particularly after an ALPP designation could be attained.

## 3. Future QFF Program Requirements

---

### 3.1 Program Goals

The overarching goal desired by stakeholders is the on-going, area wide management of QFF. Proper management of QFF is required in order to add value to growers in terms of lowering operating costs through fewer and more targeted applications of pesticide and the export opportunity that area wide management of QFF affords growers. The region has recently experienced its best year of exports from the region and the Regional Governance Group feels strongly, that if the GMV Regional Fruit Fly Project continues, further industry growth can occur through increasing exports, which can provide an impetus for growers to increase production in the future.

Overall, stakeholders identified the following future program goals:

- On-going management and control of QFF
- Increasing access to exports
- Supporting local jobs and the economic sustainability of the region
- Variety of community benefits (that have been generated through the current program)

The current program has been valued by industry and the community in a number of ways. Most notably, it has brought all stakeholders together for a common purpose, solidifying their resolution and building strong ties and relationships across the community (including community groups, growers, industry associations and government).

Growers in particular have valued the contribution the program has made to their operations, lowering costs and increasing revenue through achieving premium prices on exports.

### 3.2 Program Activities

In consultation with stakeholders, the following program activities were identified by the Regional Governance Group as critical to ensure the on-going success of the program:

- Education workshops and programs
- Marketing, events and promotions
- Host tree/plant removal/eradication
- Trapping grid and monitoring of QFF
- Research/trials

Stakeholders highlighted that each component of the program supports other aspects of the program and the exclusion of any particular activity (i.e. education workshops and program or the trapping grid) would detrimentally impact the program and make other activities null and void. **It is only through the undertaking of all program activities that that program has been successful.**

Additionally, many of the activities are just starting to have an impact. For example, only a small proportion of the unmanaged orchards have been removed and over half of all unmanaged orchards have yet to be scoped. Similarly, there are additional rouge trees and additional private tress that have not yet been removed. While the program has delivered a high level of awareness of QFF and the required management practices for residential properties, if these programs do not continue, it is highly likely that residential practices may diminish over time. Finally, the program currently enjoys a significant contribution from volunteers, namely from organisations such as Lions and Rotary. If other elements of the program are not delivered, then the high rate of volunteerism may fall and/or these activities may not prove effective as host trees on residential properties, rogue trees and/or unmanaged orchards continue to host QFF in the region. At the same time, the current

SIT research trial could prove to be a very effective mechanism in managing QFF in the GMV Region, however, the trial needs to be completed and lessons learned so that it could be applied area wide.

As such, all of the current activities are important to the overall area wide management of QFF in the GMV Region and must continue.

### 3.3 Human and Financial Resources

Currently the GMV Regional Fruit Fly Project employs a Regional Coordinator as well as a part time support staff. Additionally, there are hundreds of hours that have been donated through a very large volunteer effort, which has been valued at \$300,000 per year. It is very important to recognise the value of this volunteer effort and that without this volunteer effort, the costs to deliver the program would increase significantly.

The following table (Table 3.1) shows the actual and budgeted cost of the program, by the relevant program activity, over the last three years (and including the current financial year). As highlighted, the total average annual budget equates to just over \$800,000. Stakeholders felt that this level of funding (escalated at CPI) is required to run the current program into the future. Doing away with any specific program activity was not seen as an option, as stakeholders felt that excluding any of the current activities would prove to be detrimental to the overall area wide management of QFF and would impair the program's ability to be effective.

Stakeholders identified that there would be very little available funding for the program. Growers identified that their margins are already being squeezed by increasing costs, particularly the cost of water. Local governments identified that their budgets are already constrained, but they would be willing to continue their in-kind support. Community groups represented by the Lions International indicated that the current volunteer effort could also continue as part of their in-kind investment into the project.

Stakeholders identified that the Commonwealth Government through a variety of departments could be a potential future funding partner of the program. However, it was acknowledged that accessing Commonwealth Government funding would require additional time beyond the June 2020 deadline when current funding ceases.

#### **\$800,000 per Annum is Required to Run the GMV Regional Fruit Fly Program**

Stakeholders felt strongly that the GMV Regional Fruit Fly Program must continue, based on the value it generates for the community. Reduced funding below this level would not allow the program to continue in its entirety. Stakeholders felt that any reduction in funding (below \$800,000 per year) would be detrimental to the program and impair its ability to provide area wide management of QFF and provide benefits to the community (and State).

The Regional Governance Group provides the following answers to questions posed by the Victorian Government:

*What would the group do if there was no money past 2020?*

In the absence of funding, nothing would happen and the gains made would be lost. Growers would not have any information and would return to using more pesticides across their crops to try and protect them from QFF. All marketing and educational programs would cease as well as the trapping grid. Access to export markets would likely decrease, placing pressure on local growers.

*What would the group do if minimal funding was available? Eg 100,000?*

If minimal funding was available, nothing would happen, as the success of the program is based on **all** activities working in unison. All gains would be lost and growers would return to using more pesticides across their crops to try and protect them from QFF. Access to export markets would likely decrease, placing pressure on local growers.

*What would the group do if they could access significant funding \$500,000?*

If \$500,000 of funding was available, some programs could continue, however, without all programs, the program would not be effective. Growers would return to using more pesticides across their crops to try and protect them from QFF. Access to export markets would likely decrease, placing pressure on local growers.

### **3.4 Preferred Option for the Future**

#### **Preferred Option**

The GMV Regional Governance Group, representing all stakeholders including growers, the community and the local governments involved, identified that their preferred option would be for the Victorian Government to continue its support of the GMV Regional Fruit Fly Program over the next 3 years at a funding rate of \$800,000 per year, escalated annually by CPI.

Table 3.1 GMV Regional Fruit Fly Project, Existing Budget

	2017-18	2018-19	2019-20	Total	Annual Average
Education Workshops and Programs	\$54,127	\$62,300	\$45,000	\$161,428	\$53,809
Marketing, Events and Programs	\$127,620	\$146,891	\$106,100	\$380,611	\$126,870
Tree Removal	\$192,453	\$221,513	\$160,000	\$573,965	\$191,322
Trapping Grids and Research	\$130,760	\$409,977	\$201,680	\$742,417	\$247,472
Administration/Project Management	\$199,431	\$199,431	\$162,750	\$561,611	\$187,204
<b>Total</b>	<b>\$704,391</b>	<b>\$1,040,111</b>	<b>\$675,530</b>	<b>\$2,420,031</b>	<b>\$806,677</b>

Source: GMV Regional Coordinator



### **Considering the GMV Regional Fruit Fly Program in Isolation is a Mistake**

The GMV Regional Governance Group feels strongly that considering the Regional Fruit Fly Program in isolation is a mistake and will lead to ill-informed decision making. Understanding the current operating environment for growers in the GMV region is very important as this current operating environment provides the appropriate context in which to understand the importance of the GMV Regional Fruit Fly Project.

## **4. Current Operating Environment**

### **4.1 Regional Overview**

The Goulburn Murray Valley (GMV) region (for the purposes of this project) includes the five local governments of Greater Shepparton, Moira, Berrigan, Campaspe and Strathbogie. The combined region has a population of 152,750 people and a regional economy worth \$8.4 billion.

Horticulture plays a central role in the regional economy, generating an estimated \$1.6 billion (or 20%) in Gross Regional Product. According to the 2016 Census, horticulture provides a total of 13% of local jobs, however, in some parts of the region, the proportion is much higher (Table 4.1).

**Table 4.1 Horticultural Contribution to Employment and Economy, Goulburn Murray Valley**

	<b>Employment in Horticulture 2016 (%)</b>	<b>Economic Contribution of Horticulture 2017-18 (%)</b>
Berrigan	21%	38%
Campaspe	13%	31%
Greater Shepparton	8%	12%
Moira	19%	14%
Strathbogie	25%	28%
Region	13%	20%

Source: ABS (2017); REMPLAN (2019); ID (2019); Lucid Economics

### **4.2 A Significant Horticultural Region**

The GMV Region is significant for Victoria and produces<sup>1</sup>:

- 89% of the Nation's pears
- 48% of the Nation's fresh tomatoes
- 66% of the Nation's apricots
- 80% of the Nation's nectarines peaches and nectarines
- 47% of the Nation's apples

The GMV Region produces over 455,000 tonnes of fruit and vegetables that are known hosts to fruit fly, which equates to \$777 million of production for the region (Table 4.1). This level of production represents 44% of total Victorian production and 34% of the crops' total value to the State. It should be noted that only fruits and vegetables that host fruit fly have been included in these figures.

<sup>1</sup> While the Berrigan Shire is outside of Victoria, it has been included as part of the GMV region for this project. Given the relatively small scale of production in the Shire, its inclusion in the calculations will not grossly distort the proportion of the State's production that is based in the GMV region.

Only 5.3% of GMV production is exported international, however, these exports represent 10.3% of the total value of GMV production in the region, which demonstrates the strong premium price that growers can achieve through exports. On average, export prices achieve double the price of domestically consumed production. Exports to protocol markets command almost three times the domestic price. Other anecdotal evidence from growers suggests that an average premium of 60% above domestic prices can be achieved through exports. These premium prices have become very important for growers to maintain financially sustainable operations (refer Section 4.3).

#### **GMV Region Compared to Sunraysia Region**

The Sunraysia region exports up to 80% of production, particularly table grapes and citrus crops. These products are less susceptible to QFF and are better suited to cold treatment as part of protocols to export markets. These products also enjoy higher prices than the stone fruit that is exported from the GMV region. As such, the GMV region is at a competitive disadvantage and local growers are not able to generate a similar price for their product but must still pay similar costs.

In terms of exports, just over half of production from the GMV Region is exported to countries that have strict protocols regarding the importation of fruit and vegetables. These protocol markets represent almost 80% of the total value of exports from the GMV Region. While the analysis shows that these protocol export markets make up a relatively small amount of local production, the current (and potential future) importance of these markets is significant, given the high premium prices that growers can achieve in these markets.

#### **Export Protocols**

Given the strict export protocols that many countries have, the Food and Agriculture Organisation of the United Nations (FAO) has developed a series of designations for growing areas that allow for an efficient and free flow of agricultural produce into these countries. As the fruit fly is recognised globally as a significant threat to fruits, two specific designations have been developed:

- **Pest Free Area (PFA):** an area where the pest is absent
- **Area of Low Pest Prevalence (ALPP):** an area where the presence of the pest is below a specified population level that is deemed 'acceptable'.

According to the Food and Agriculture Organization of the United Nations, achieving and maintaining these designations requires preparation and management of a public awareness program, management systems and various elements (to monitor and proactively manage levels of the pest) and supervision activities.

Globally, area wide management (AWM) principles have prevailed as best practice and these principles have been adopted by the GMV Regional Fruit Fly Project (refer Section 2).

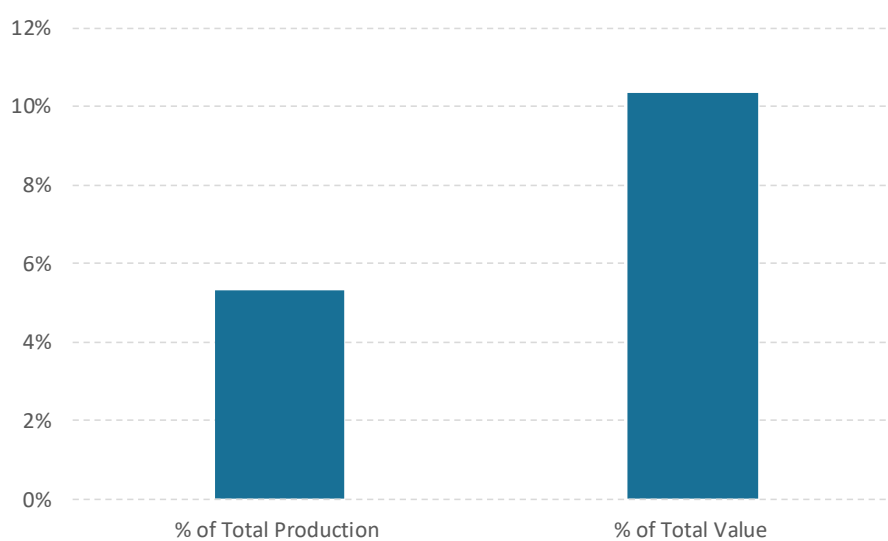
Table 4.2 Horticultural Production, Goulbourn Murray Valley

LGA	Volume (Tonnes)	Value (\$m)
Berrigan	4,885	\$1.9
Campaspe	161,877	\$61.2
Greater Shepparton	200,941	\$454.5
Moira	79,479	\$246.4
Strathbogie	8,075	\$12.8
<b>Total</b>	<b>455,258</b>	<b>\$776.8</b>
<i>Victoria</i>	<i>1,026,036</i>	<i>\$2,265.0</i>
Share of State	44%	34%

Note: Only products that are known potential fruit fly hosts have been included.

Source: Fresh Intelligence (2019)

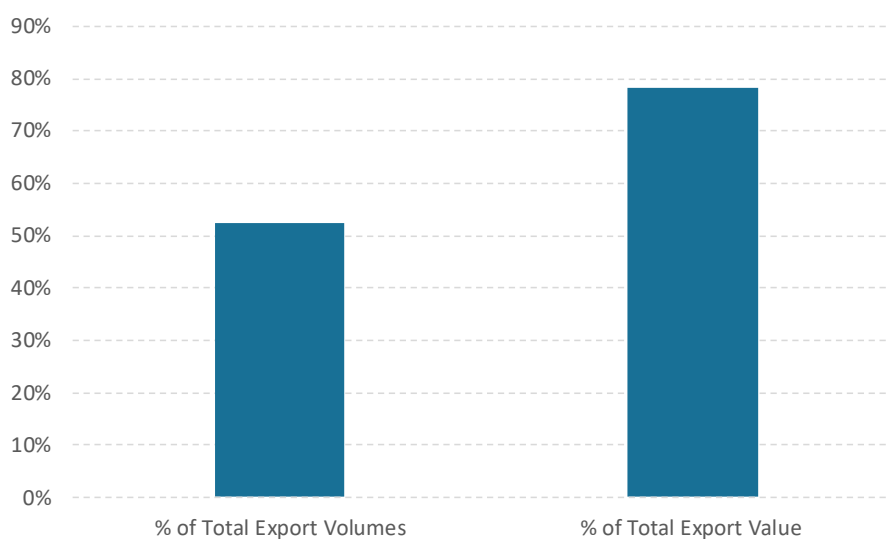
Figure 4.1 Horticultural Exports, Goulbourn Murray Valley



Note: %s represent total production and value of fruit fly affected production from the GMV Region. Only products that are known potential fruit fly hosts have been included.

Source: Fresh Intelligence (2019)

Figure 4.2 Horticultural Exports (to Protocol Countries), Goulbourn Murray Valley



Note: %s represent total export volumes and value of fruit fly affected production to Protocol Countries. Only products that are known potential fruit fly hosts have been included.

Source: Fresh Intelligence (2019)

### 4.3 Economic Importance of Horticultural Production

The production of \$776.8 million in horticultural products from the GMV Region supports almost 5,000 jobs in the region and \$762.5 million in Gross Regional Product (Table 4.3). This level of economic activity represents 9.2% of the regional economy (in Gross Regional Product terms) and 7.0% of all employment.

Given the significance of horticulture in the GMV Region and its individual local government areas, any disruption to the industry would have significant detrimental impacts on the community.

**Table 4.3 Economic Contribution of Horticultural Production, Goulbourn Murray Valley**

	Gross Regional Product (\$m)	Employment (No.)
Direct	\$362.7	2,301
Indirect	\$399.8	2,678
<b>Total</b>	<b>\$762.5</b>	<b>4,979</b>
<b>% of Total Region</b>		
Direct	4.4%	3.2%
Indirect	4.8%	3.8%
<b>Total</b>	<b>9.2%</b>	<b>7.0%</b>

Note: Only products that are known potential fruit fly hosts have been included.

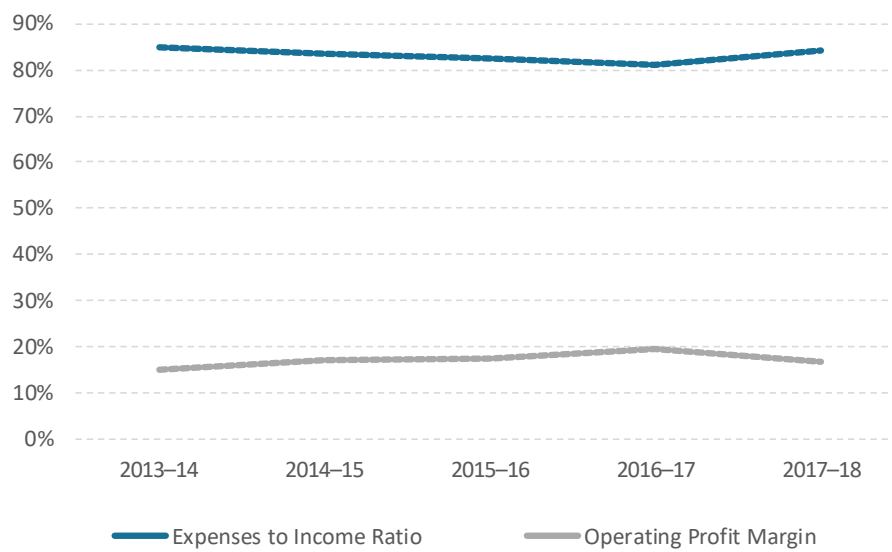
Source: Fresh Intelligence (2019)

### 4.4 Increasing Costs to Growers

#### 4.4.1 Increased Operating Costs

Agricultural growers across Australia saw operating expenses increase in 2017-18, which lowered operating profit margins (Figure 4.3). Operating conditions have not changed markedly, so these conditions are expected to be represented in 2018-19 as well. Beyond operating costs such as water, power and insurance, growers incur considerable costs in the increasing requirements to supply the major grocery stores, Coles and Woolworths. Growers face a growing requirement to develop, adhere to and actively manage a variety of protocols and systems that have become a requisite of supplying the major grocery stores. These increasing requirements are putting pressure on grower margins.

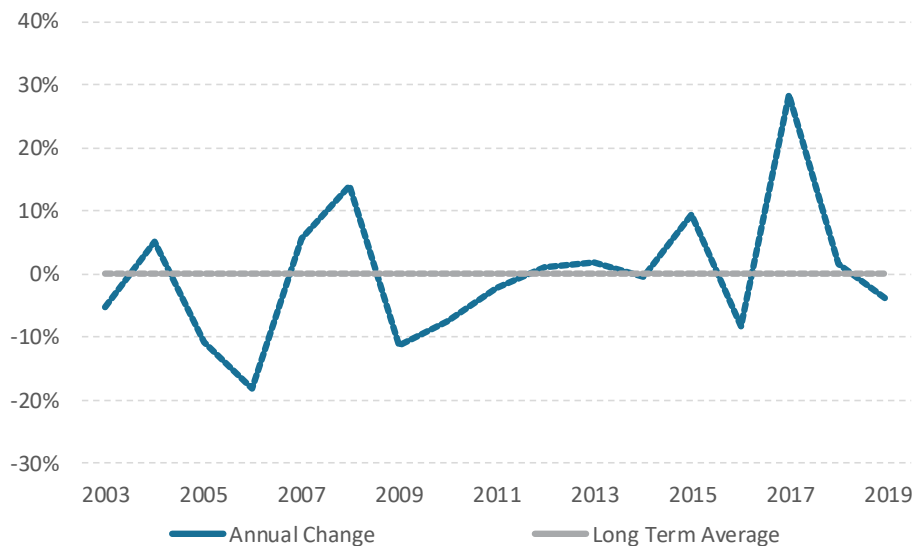
Figure 4.3 Financial Operating Metrics, Australian Agricultural Growers



Source: ABS (2019a)

In addition to increasing costs, many growers face volatile pricing in the domestic market, which is influenced by a myriad of factors, most of which are beyond the control of the grower. In many instances, the grower must accept the price offered and has limited bargaining power. Figure 4.4 shows that while the price achieved by fruit and nut growers in Australia has been volatile, the long-term trend is -0.1% of average annual growth. Achieving virtually no price growth over the long-term puts added pressure on the financial viability of farms.

Figure 4.4 Producer Price Index, Fruit and Nut Growers



Note: Year Ending June.

Source: ABS (2019b)

#### 4.4.2 Increasing Cost of Water

Dry conditions have persisted over the Murray-Darling Basin (MDB) over the last two years, with most of the catchment receiving very little rainfall, which means existing storage levels fall (Figure 4.5 and Figure 4.6). At the same time, much of the area has received less than average on-farm rainfall, which increases the demand for irrigated water (Figure 4.7). Unsurprisingly, the cost of water for irrigation has increased significantly over the last two years (Figure 4.8). The cost of water is projected to be \$507/ML in 2019-20, an increase of 18% from 2018-19). In 2008-09, the price of water was less than \$20/ML, meaning that on average, the cost of water has increased 40% per year.

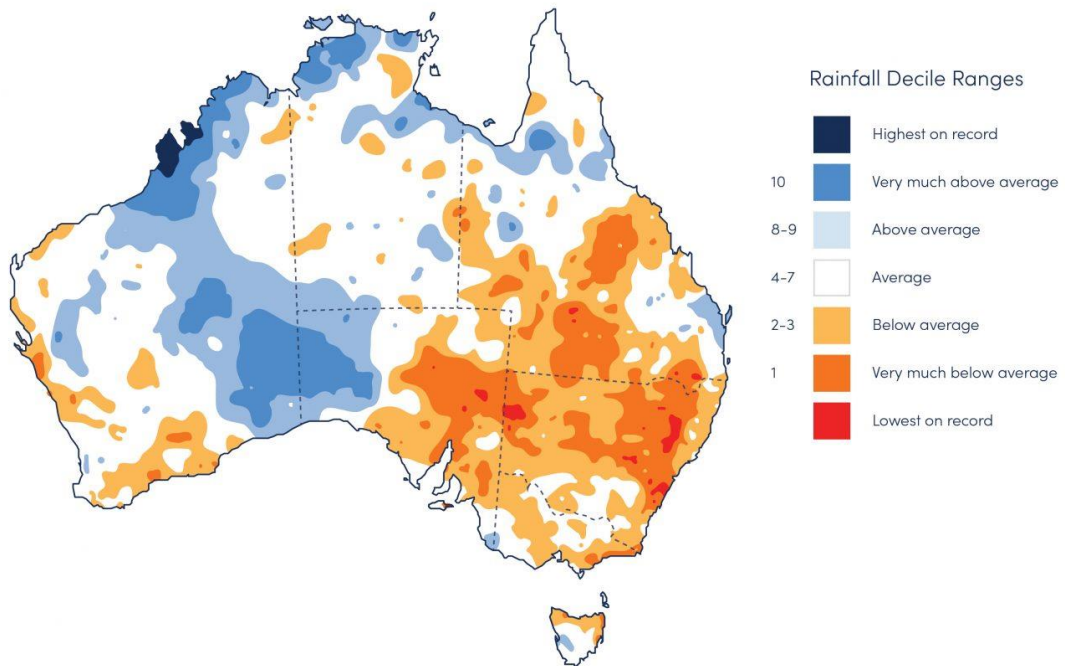
Many growers in the GMV Region have identified that the high cost of water is putting extreme pressure on farm viability. Smaller growers, in particular, will face significant financial challenges in the future if these high water prices persist.

##### **Importance of Exports**

For many growers in the GMV Region, access to export markets and the premium price they can provide is an important step in growing revenue in a manner that makes it possible to remain financially sustainable in an environment of rising costs. Without the additional revenue that the premium export prices provide, it would be very difficult for many growers to remain financially sustainable.

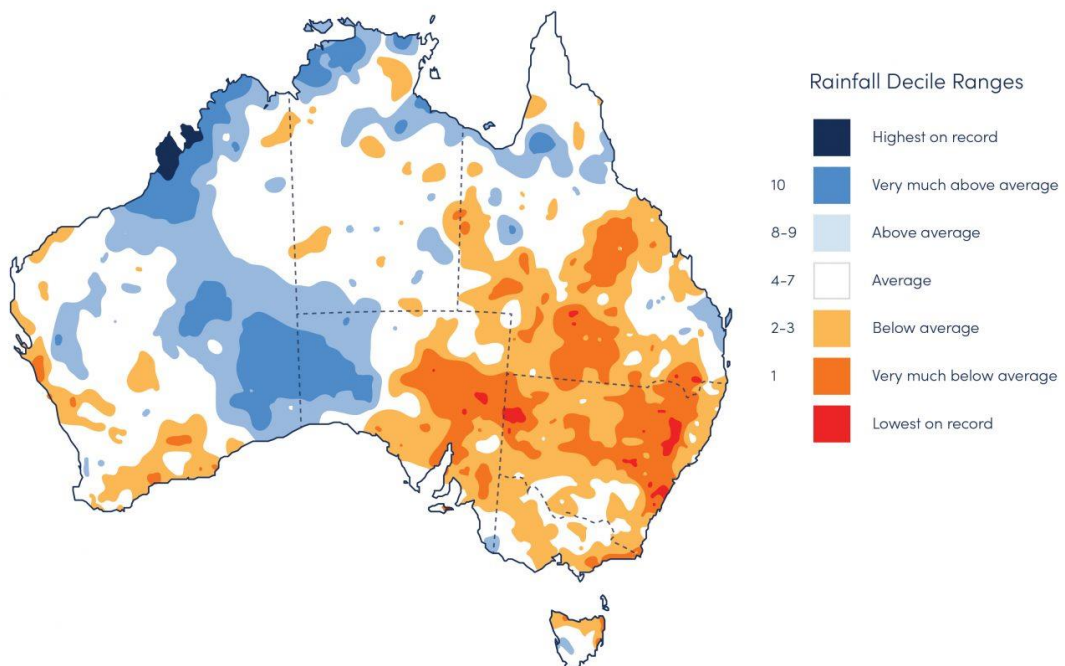
Successfully managing fruit fly in the region will continue to support exports from the GMV Region. Maintaining AWM practices (as the current fruit fly program does) will assist the region to progress towards achieving the ALPP designation, which will provide greater access to export markets and allow local growers to increase revenues and maintain financially sustainable operations.

Figure 4.5 Rainfall Deciles, 1 July 2017 to 30 June 2018



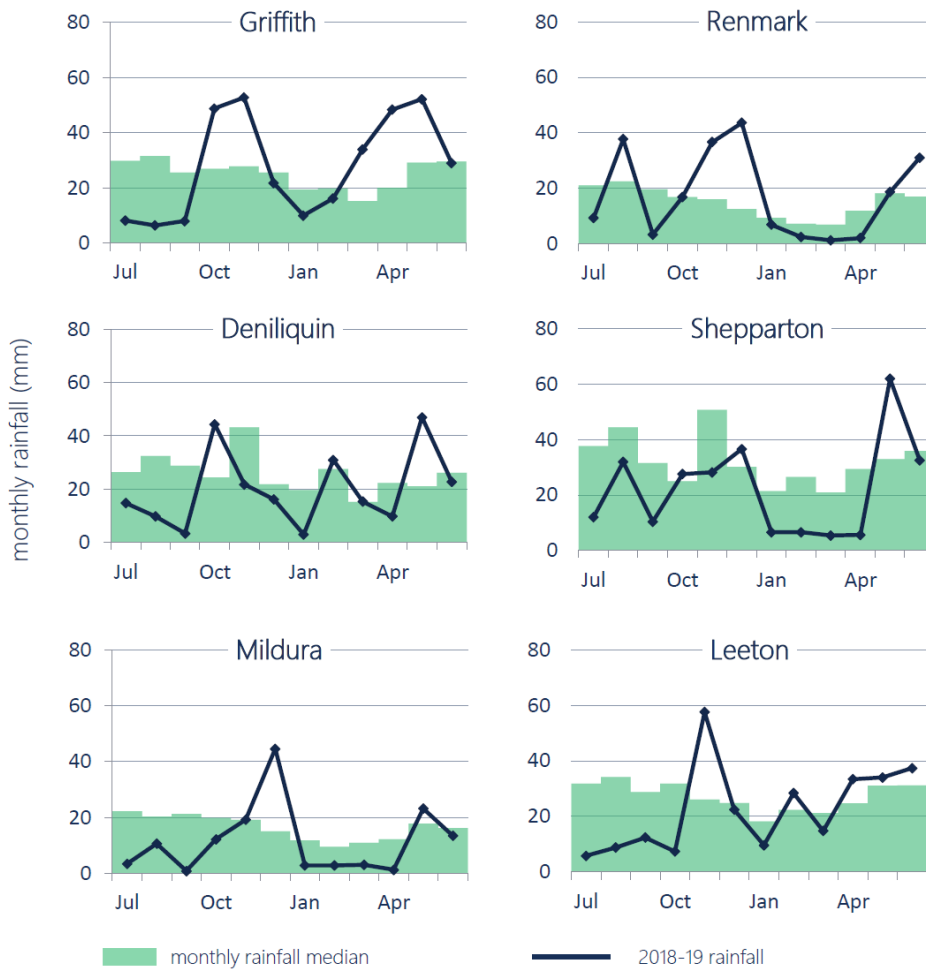
Source: Aither, based on Bureau of Meteorology (2019)

Figure 4.6 Rainfall Deciles, 1 July 2018 to 30 June 2019



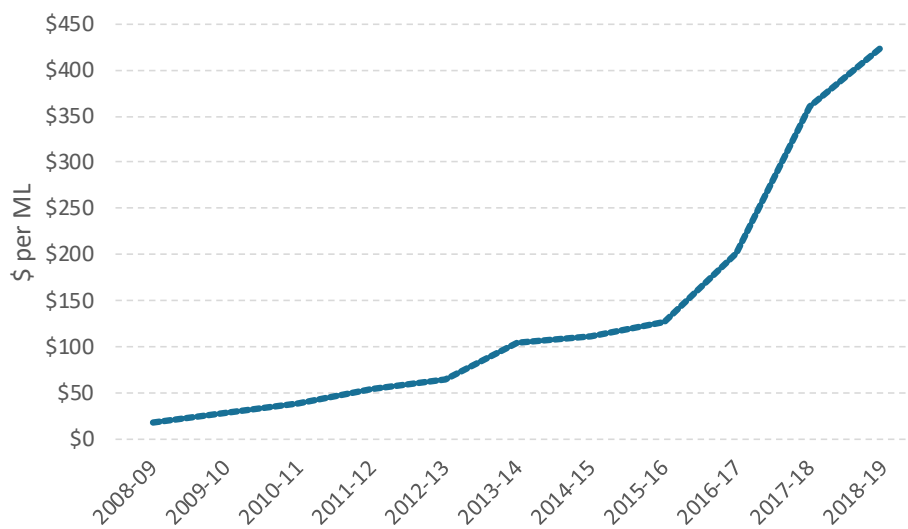
Source: Aither, based on Bureau of Meteorology (2019)

**Figure 4.7 Monthly Observed and Median Rainfall, Across Major Southern Murray-Darlin Basin Regions 2018-19**



Source: Aither, based on Bureau of Meteorology (2019)

**Figure 4.8 Average Annual Volume-Weighted Average Prices, Murray-Darlin Basin**



Source: Aither (2019); Lucid Economics (2019)



## 5. Future Potential Growth

---

As identified above, through the GMV Regional Fruit Fly Project, the GMV region has been able to greatly increase its exports (by 40%). Compared to the Sunraysia region that exports up to 80% of its production, the GMV region only exports 5.3%, creating a tremendous opportunity for future growth.

If these recent gains could continue (through the area wide management of QFF through the GMV Regional Fruit Fly Project), then the GMV region's economy would benefit greatly. Based on the recent increase, exports from the GMV could exceed \$300 million over the next three years (from \$80 million in 2018-19). This level of increase could add a total of \$68 million to the economy (in Gross Regional Product terms) and 441 jobs in the region.

At the same time, if the GMV Regional Fruit Fly Program were to cease, growers may lose their recent access to export markets, placing financial pressure on their operations, as operating costs (particularly the cost of water) continue to escalate.

**The GMV Regional Governance Group strongly recommends that the Victorian Government continue to fund the GMV Regional Fruit Fly Project so that the program can continue to deliver important economic and community benefits to the region and the State.**

## References

---

- ABS (2019a). Australian Industry, 2017-18. Cat. No. 8155.0. Australian Bureau of Statistics, Canberra.
- ABS (2019b). Producer Price Index, Australia, September 2019. Cat. No. 6427.0. Australian Bureau of Statistics, Canberra.
- ABS (2017). 2016 Census of Population and Housing, Australia. Cat. No. 2001.0. Australian Bureau of Statistics, Canberra.
- Aither (2019). Water Markets Report: 2018-19 Review and 2019-20 Outlook. Aither Consulting, Melbourne.
- Fresh Intelligence (2019). Fresh Fruit Production and Export Value: Moira, Greater Shepparton, Campaspe, Strathbogie and Berrigan Local Government Areas. Fresh Intelligence Consulting, 29 September 2019.
- ID (2019). City of Greater Shepparton Economic Profile. Available from [www.economy.id.com.au](http://www.economy.id.com.au). Last accessed 28 October 2019.
- Lucid Economics (2019). Economic Analysis of the GMV Fruit Fly Project. Lucid Economics, 28 October 2019.
- REMPPLAN (2019). Hume Region Economic Profile. Available from [www.economyprofile.com.au](http://www.economyprofile.com.au). Last accessed 28 October 2019.

## Appendix A: GMV Fruit Fly Affected Production

Table A.1 Horticultural Production for Export, Goulbourn Murray Valley

	Volume (Tonnes)	Value (\$m)
Berrigan	268	\$0.5
Campaspe	745	\$2.4
Greater Shepparton	13,307	\$37.8
Moira	9,771	\$37.1
Strathbogie	168	\$2.6
<b>Total</b>	<b>24,259</b>	<b>\$80.4</b>
<i>Victoria</i>	<i>263,648</i>	<i>\$804.7</i>
Share of State	9%	10%

Note: Only products that are known potential fruit fly hosts have been included.

Source: Fresh Intelligence (2019)

Table A.2 Horticultural Production for Export (Protocol Markets), Goulbourn Murray Valley

	Volume (Tonnes)	Value (\$m)
Berrigan	167	\$0.3
Campaspe	326	\$1.1
Greater Shepparton	6,933	\$37.8
Moira	5,161	\$22.0
Strathbogie	99	\$1.7
<b>Total</b>	<b>12,686</b>	<b>\$62.9</b>
<i>Victoria</i>	<i>190,107</i>	<i>\$626.1</i>
Share of State	7%	10%

Note: Only products that are known potential fruit fly hosts have been included.

Source: Fresh Intelligence (2019)

Table A.3 Horticultural Production (by Crop), Goulbourn Murray Valley

	Volume (t)	Value (\$m)
Apples	86,842	\$188.0
Apricots	4,533	\$18.8
Avocados	29	\$0.2
Blueberries	3	\$0.1
Capsicum	0	\$0.0
Cherries	2,764	\$44.0
Grapefruit	74	\$0.1
Kiwifruit	54	\$0.1
Lemons	2,333	\$5.2
Mandarins	5	\$0.0
Oranges	1,095	\$1.8
Other berries	2	\$0.0
Peaches & Nectarine	36,484	\$144.0
Pears	88,606	\$158.6
Plums	14,543	\$55.0
Strawberries	111	\$0.6
Table Grapes	0	\$0.0
Tomatoes (F)	48,907	\$134.5
Tomatoes (P)	150,993	\$16.6
Wine Grapes	17,883	\$9.1

<b>Total</b>	<b>455,261</b>	<b>\$776.8</b>
--------------	----------------	----------------

Note: Only products that are known potential fruit fly hosts have been included.

Source: Fresh Intelligence (2019)

## Appendix B: Educational Workshops and Programs

---

Attachment 2 - Community Workshops/Programs

## Appendix C: Marketing and Promotional Programs

---

Attachment 4 - 2018/19 Media Plan

Attachment 5 - Media Engagement to 30 June 2019

Attachment 6 - Media Editorials

Attachment 7 - QFF Paid Advertisements

Attachment 8 - QFF Community/Grower Columns

Attachment 9 - QFF Grower Outlooks

Attachment 10 - Radio Advertisements

Attachment 11 - Photo Highlights

Attachment 12 - Video Highlights

Attachment 13 - TV Advertisements

Attachment 14 - Signage

## Appendix D: Tree Removal Program Detail

---

Attachment 15 - Private QFF Host Tree/Plant Removal/Eradication Program

Attachment 16 - Public Tree/Plant Removal/Eradication Program

Attachment 17- Unmanaged Orchards Scoped. Abandoned 18 - Unmanaged Orchard Applications.

## Appendix E: Trapping Grid Detailed Information

---

Attachment 19 - Field Officer Reports

Attachment 20 – GMV Trapping Sites and Hot Spots.

Attachment 21 - GMV QFF Trapping Grid Report June 2019

Attachment 22 - GMV QFF Trapping Grid Data 2017-18-19

Attachment 23 - GMV QFF Trapping Grid Data 2018-19







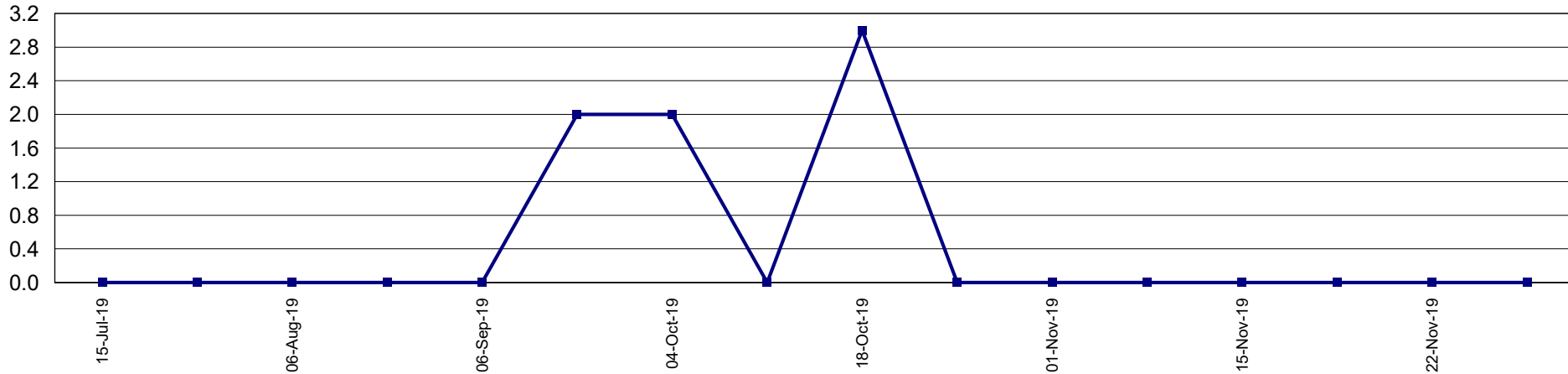
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

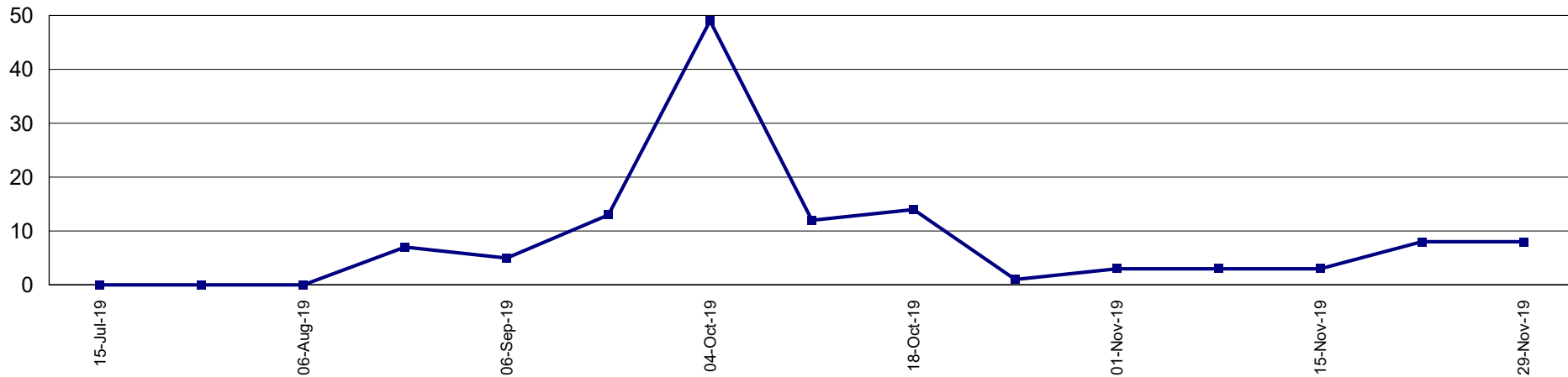
**Pest Service: QFF GMV**

**District: G01 - Kyabram Rural**



**Pest Service: QFF GMV**

**District: G02 - Kyabram Urban**





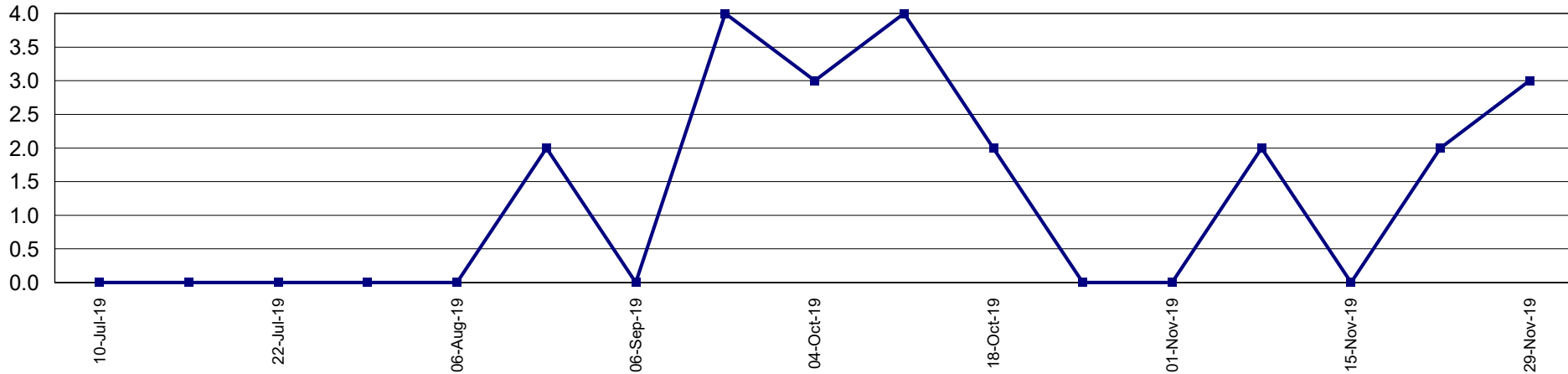
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

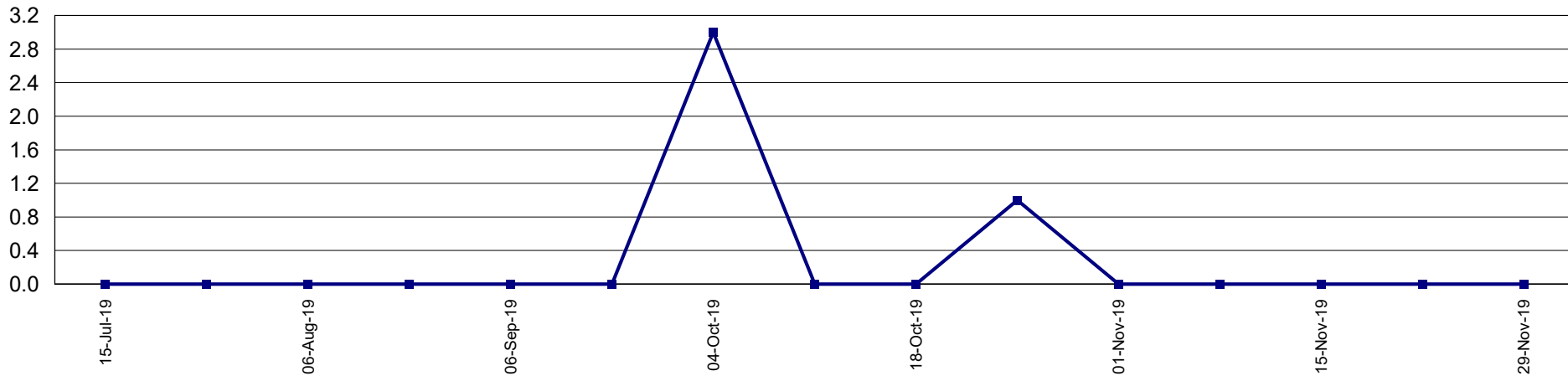
**Pest Service: QFF GMV**

**District: G03 - Merrigum**



**Pest Service: QFF GMV**

**District: G04 - Undera**





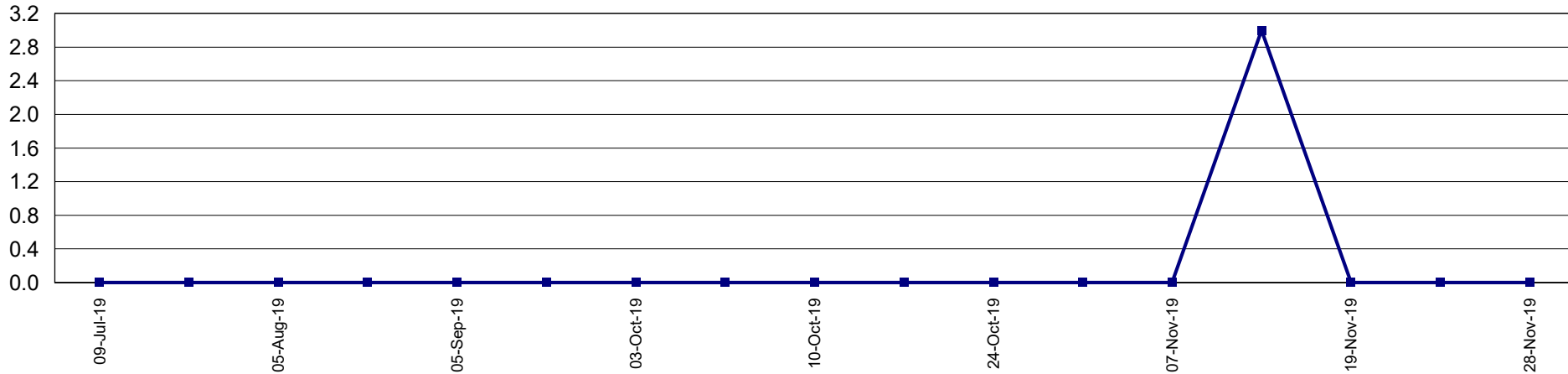
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

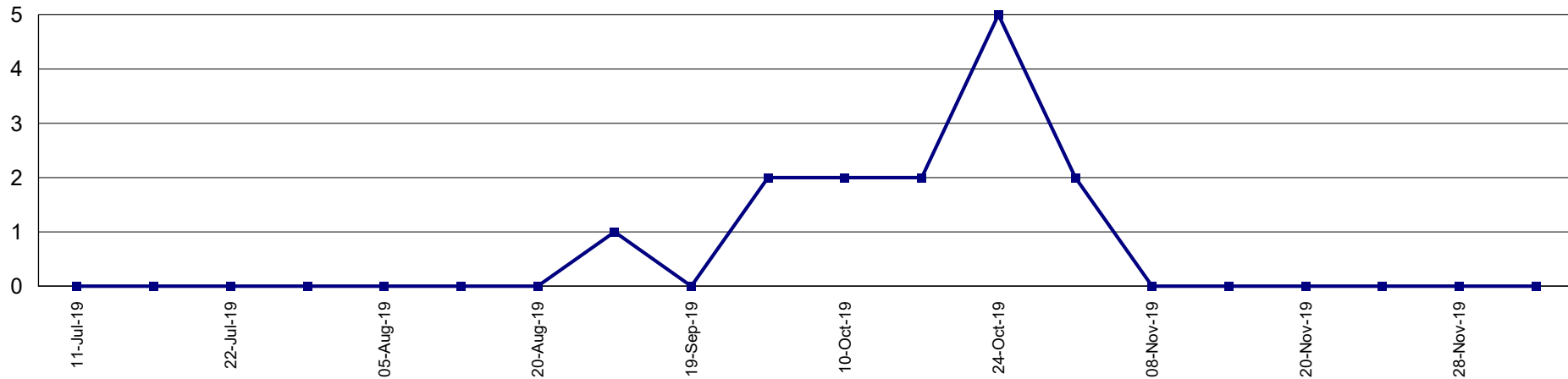
**Pest Service: QFF GMV**

**District: G05 - Bunbartha**



**Pest Service: QFF GMV**

**District: G06 - Ardmona**





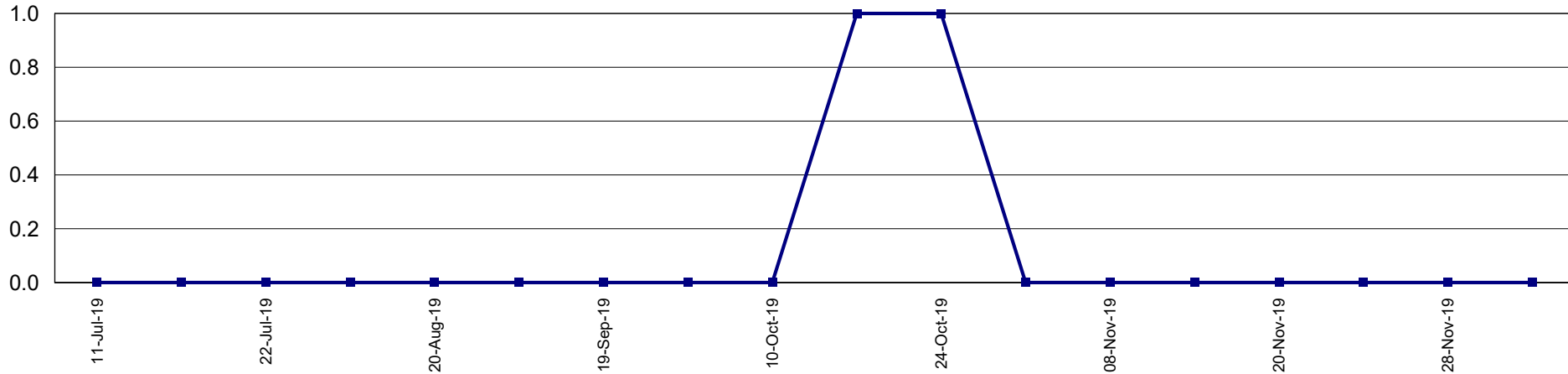
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

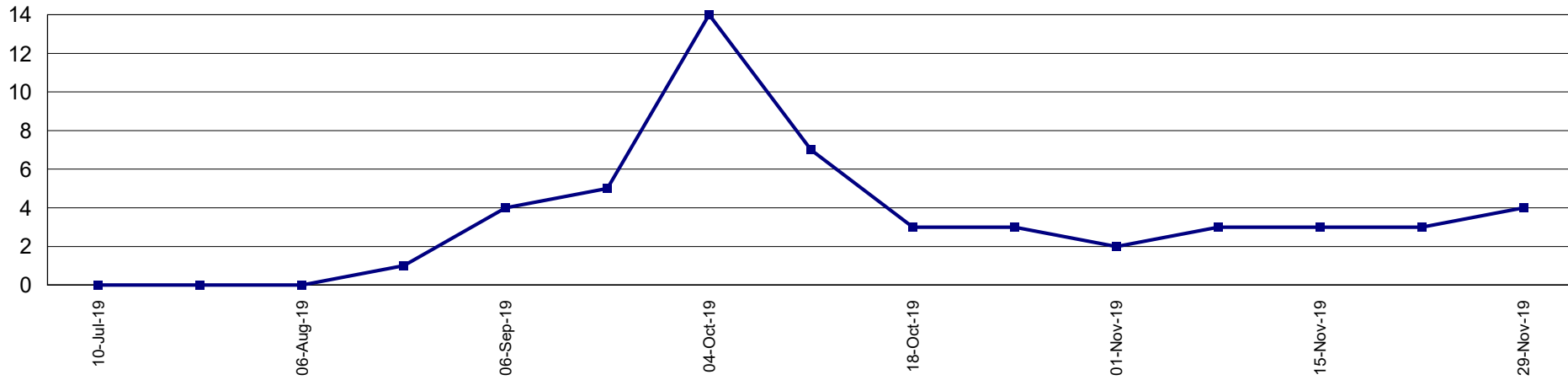
**Pest Service: QFF GMV**

**District: G07 - Tatura Rural**



**Pest Service: QFF GMV**

**District: G08 - Tatura Urban**





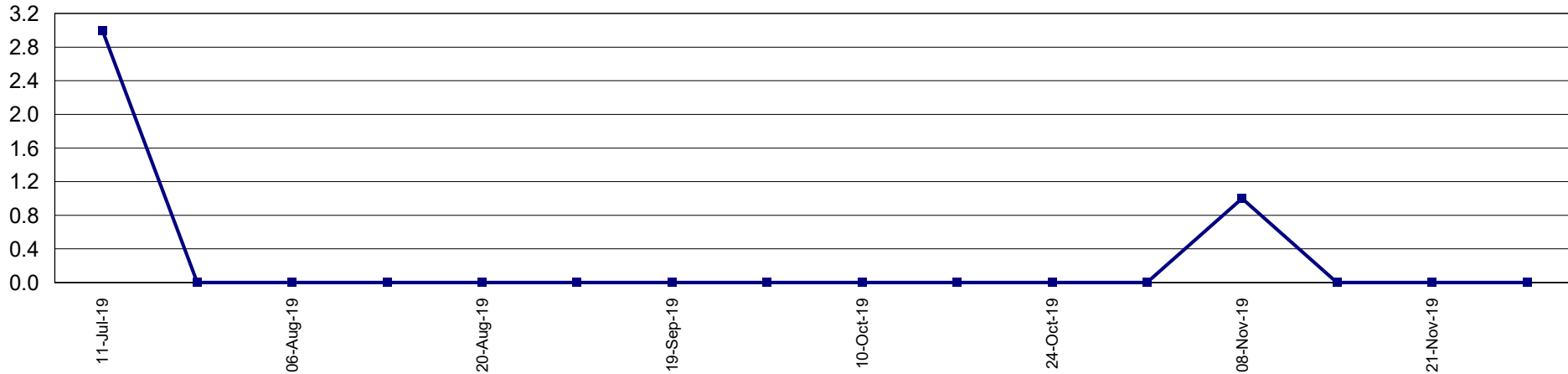
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

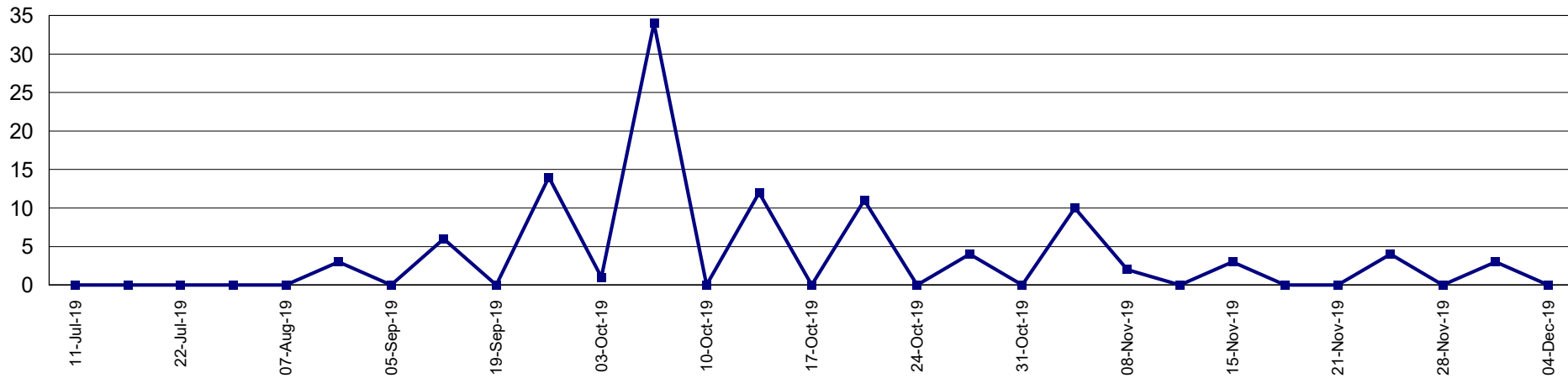
**Pest Service: QFF GMV**

**District: G09 - Toolamba**



**Pest Service: QFF GMV**

**District: G10 - Mooroopna**





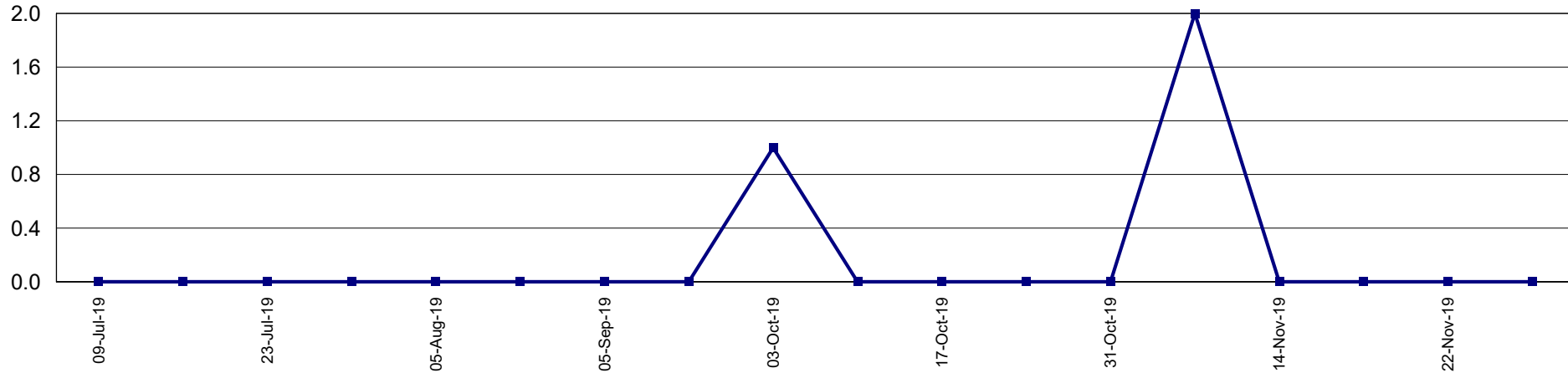
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

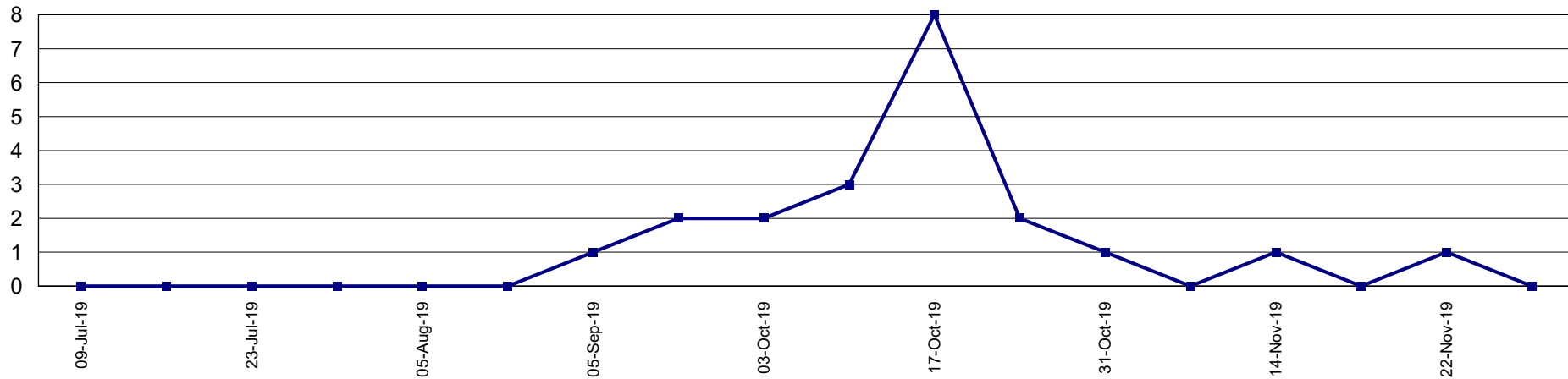
**Pest Service: QFF GMV**

**District: G11 - Shepp Rural**



**Pest Service: QFF GMV**

**District: G12 - Orrvale**





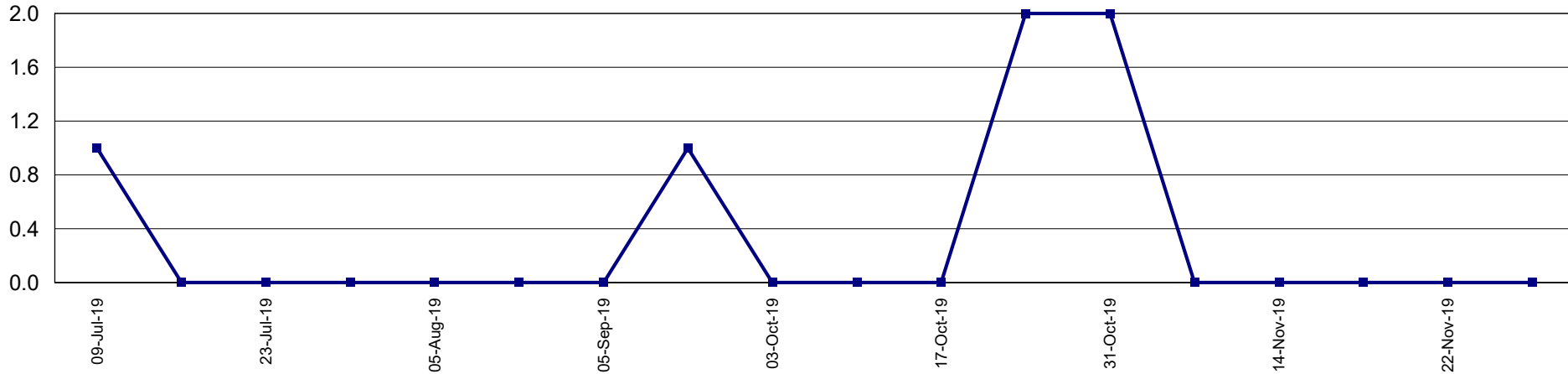
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

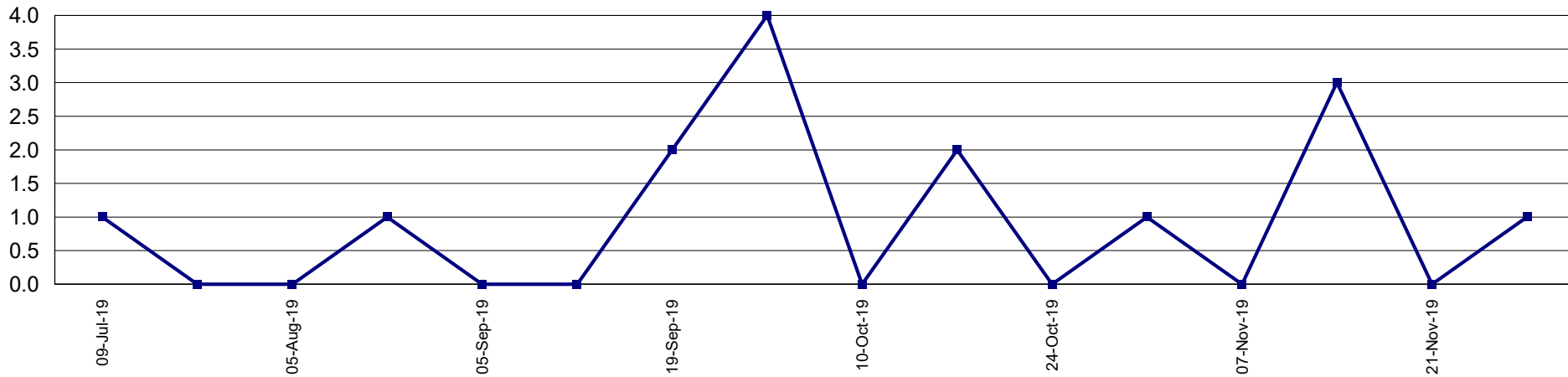
**Pest Service: QFF GMV**

**District: G13 - SheppEast**



**Pest Service: QFF GMV**

**District: G14 - Grahamvale**







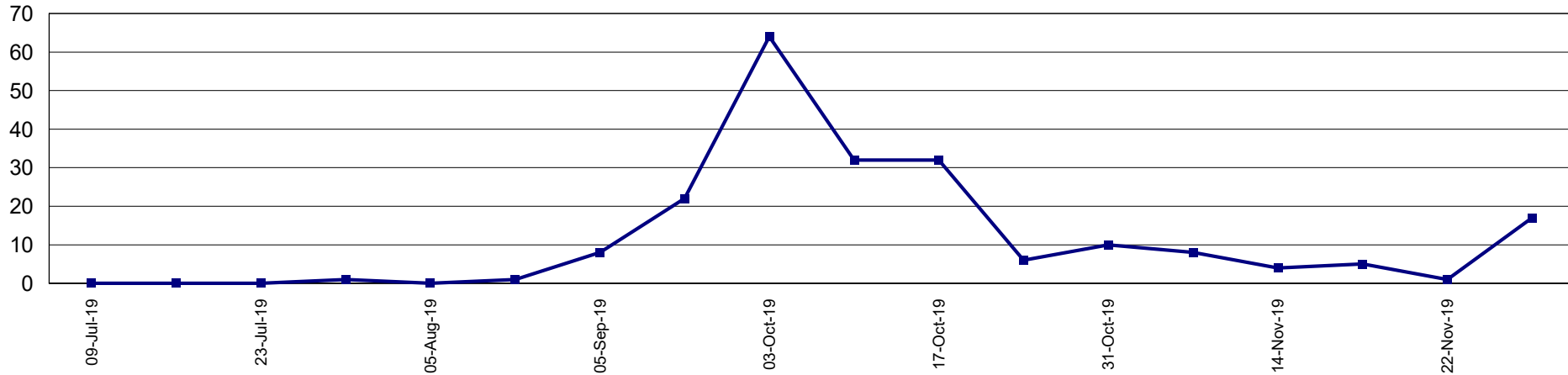
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

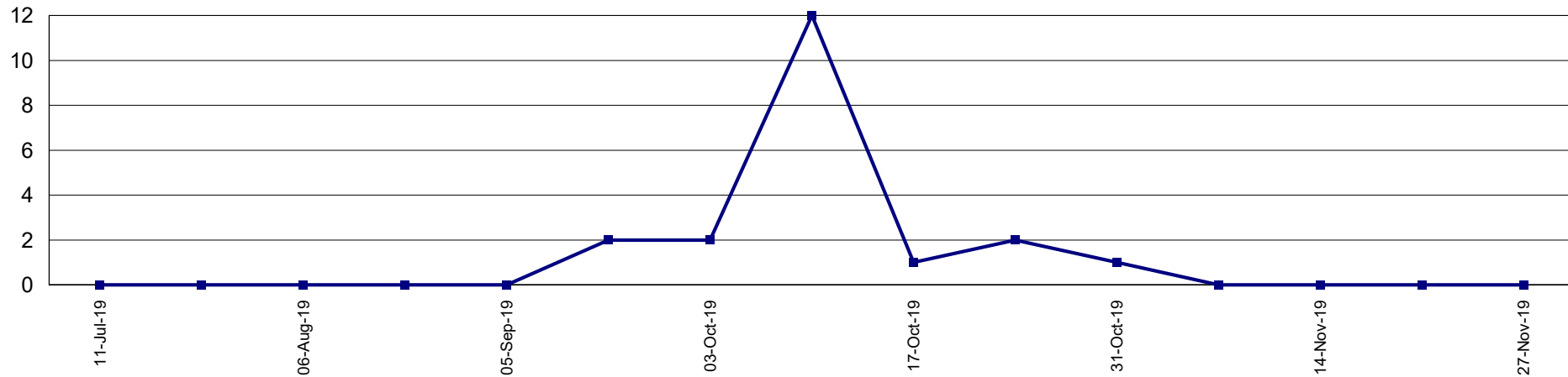
**Pest Service: QFF GMV**

**District: G15 - Shepp Urban**



**Pest Service: QFF GMV**

**District: GE - Avenel Urban**





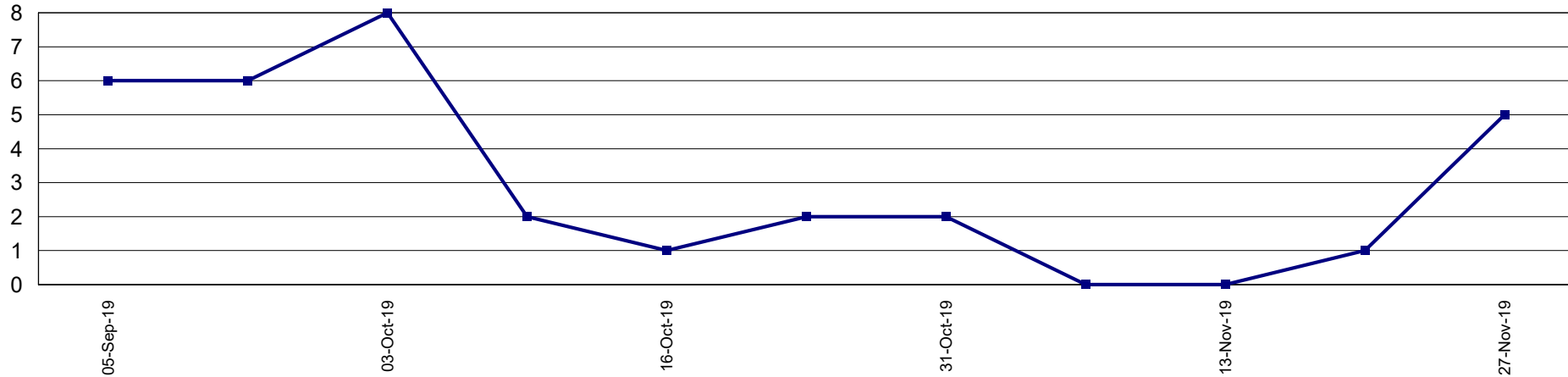
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

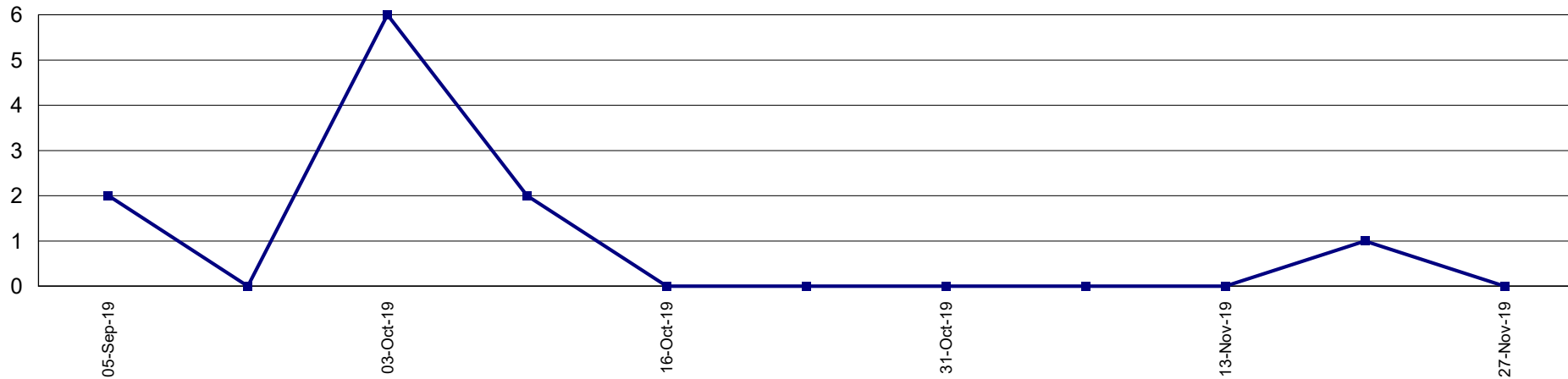
**Pest Service: QFF GMV**

**District: GE - Barooga Urban**



**Pest Service: QFF GMV**

**District: GE - Berriagn Urban**





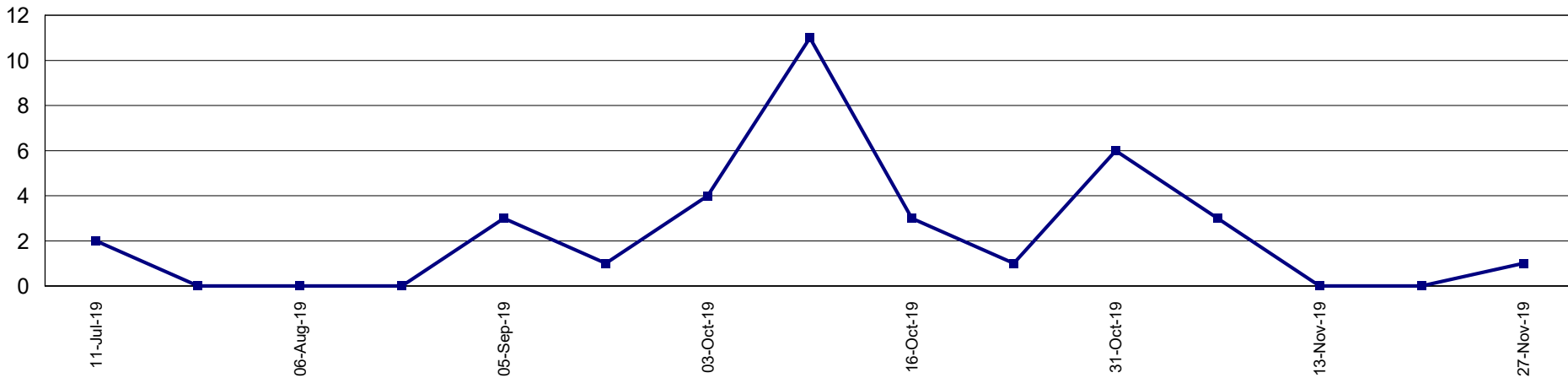
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

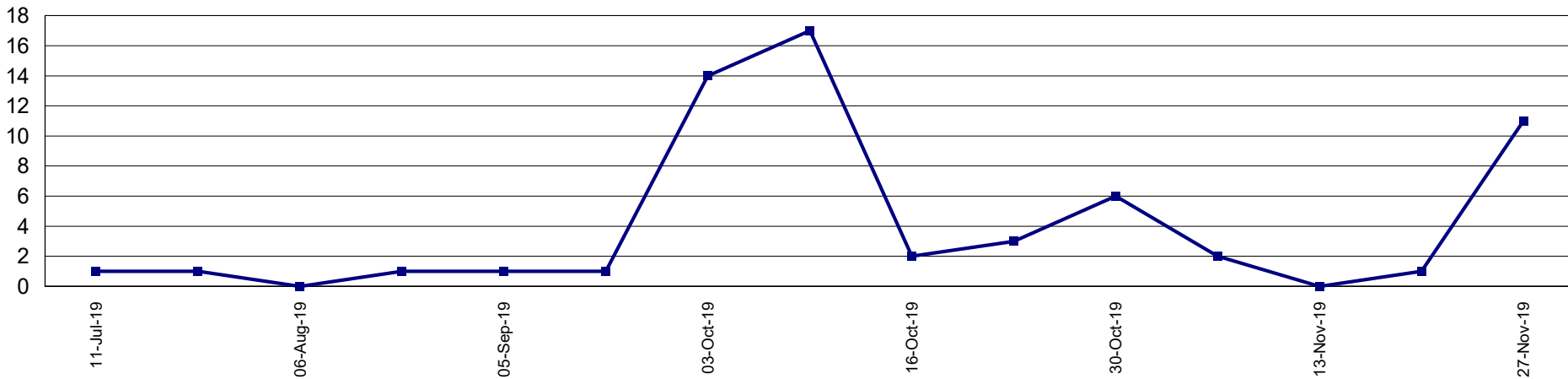
**Pest Service: QFF GMV**

**District: GE - Cobram Urban**



**Pest Service: QFF GMV**

**District: GE - Echuca Urban**





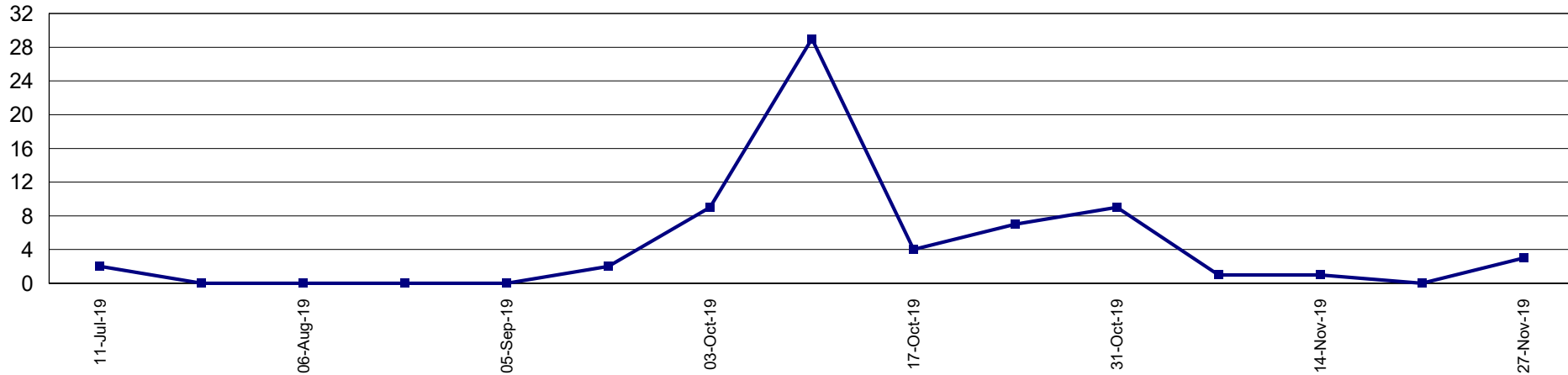
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

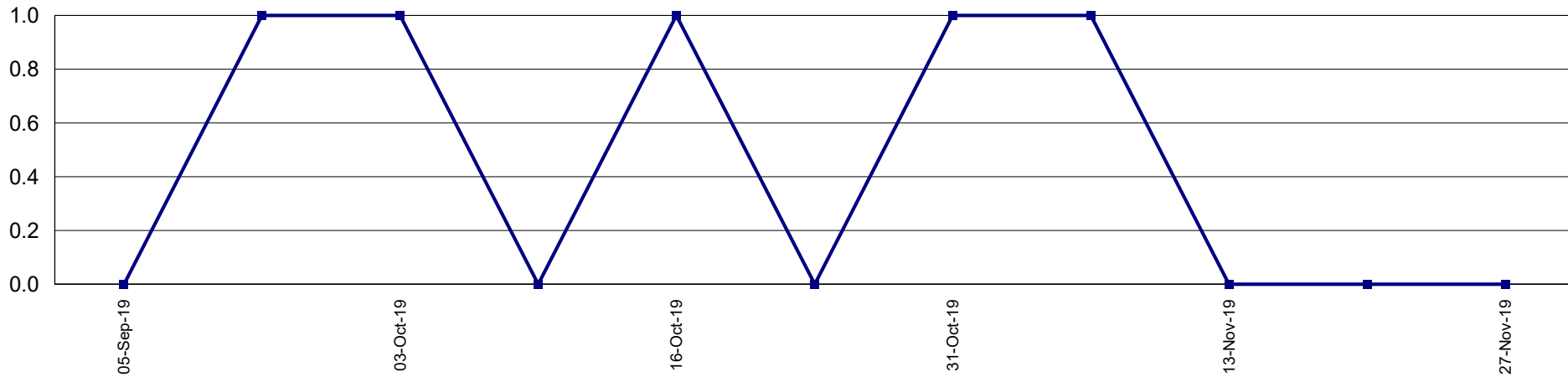
**Pest Service: QFF GMV**

**District: GE - Euroa Urban**



**Pest Service: QFF GMV**

**District: GE - Finley Urban**





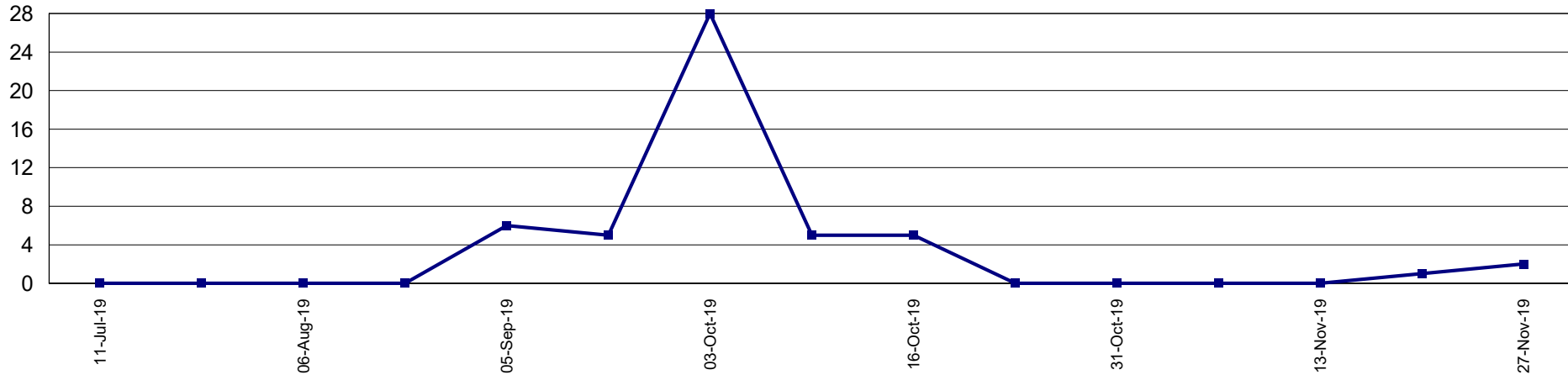
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

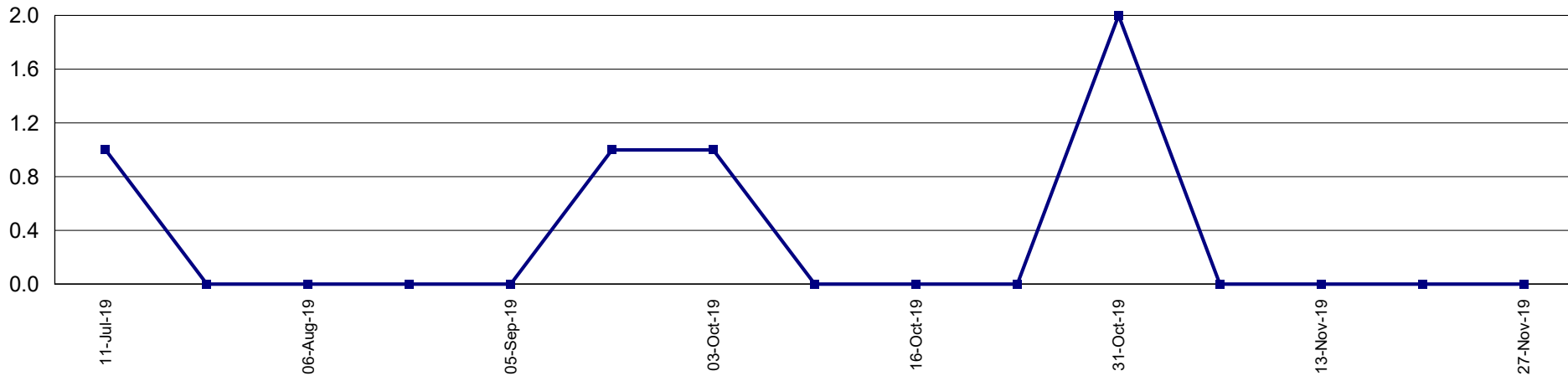
**Pest Service: QFF GMV**

**District: GE - Katamatite Urba**



**Pest Service: QFF GMV**

**District: GE - Katunga Urban**





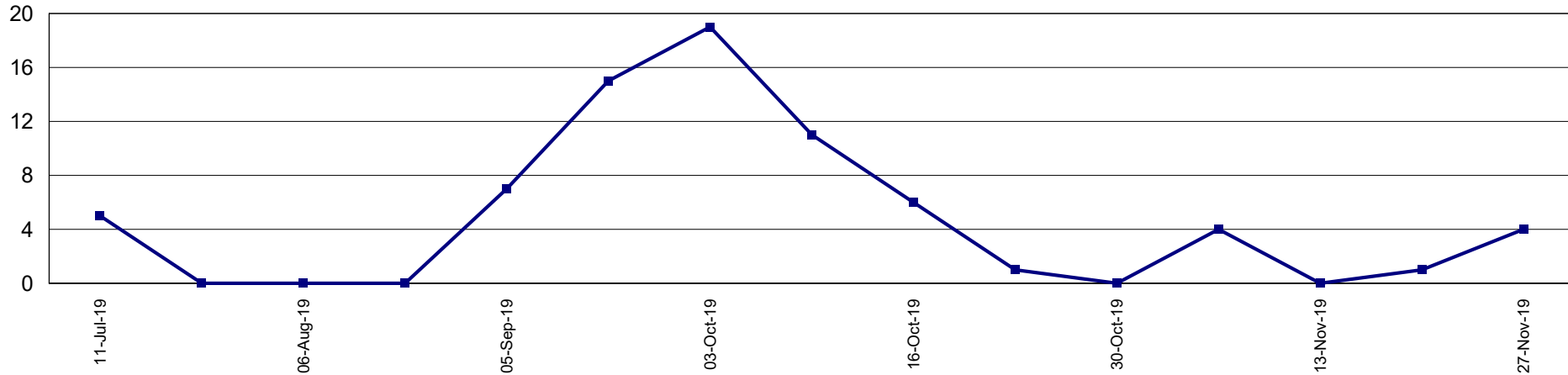
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

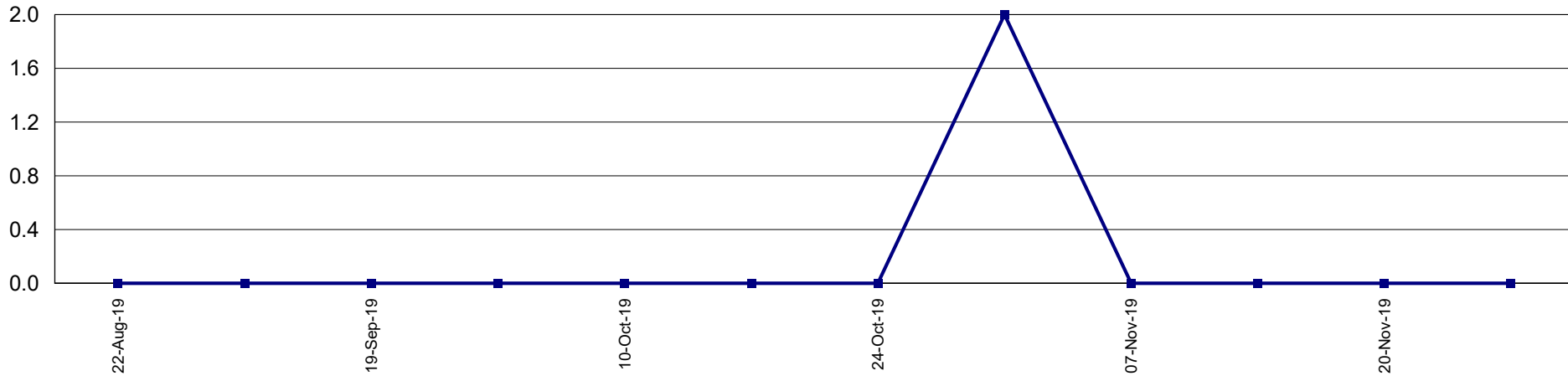
**Pest Service: QFF GMV**

**District: GE - Kyabram Urban**



**Pest Service: QFF GMV**

**District: GE - Mooroopna Urban**





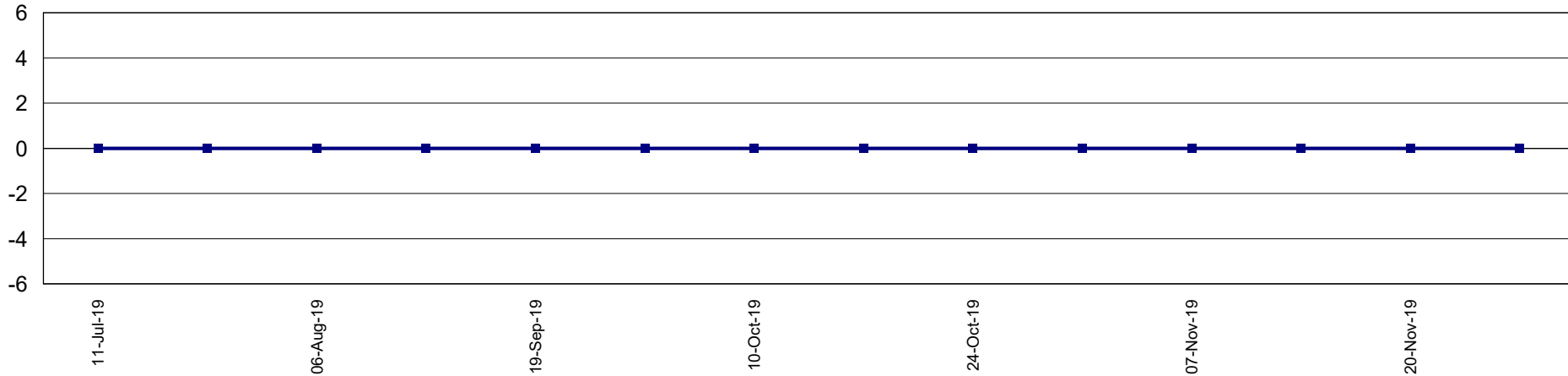
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

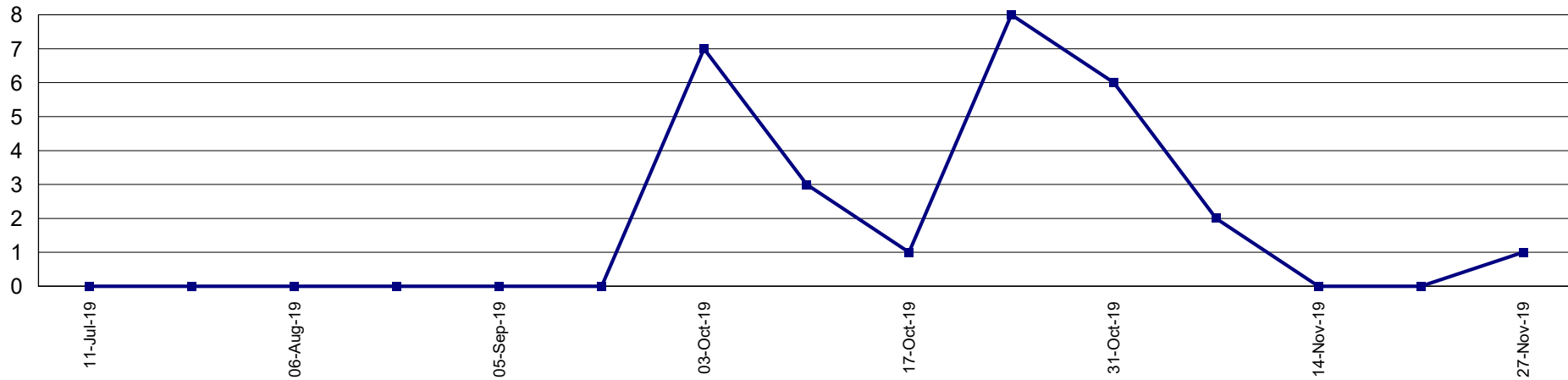
**Pest Service: QFF GMV**

**District: GE - Nagambie Rural**



**Pest Service: QFF GMV**

**District: GE - Nagambie Urban**





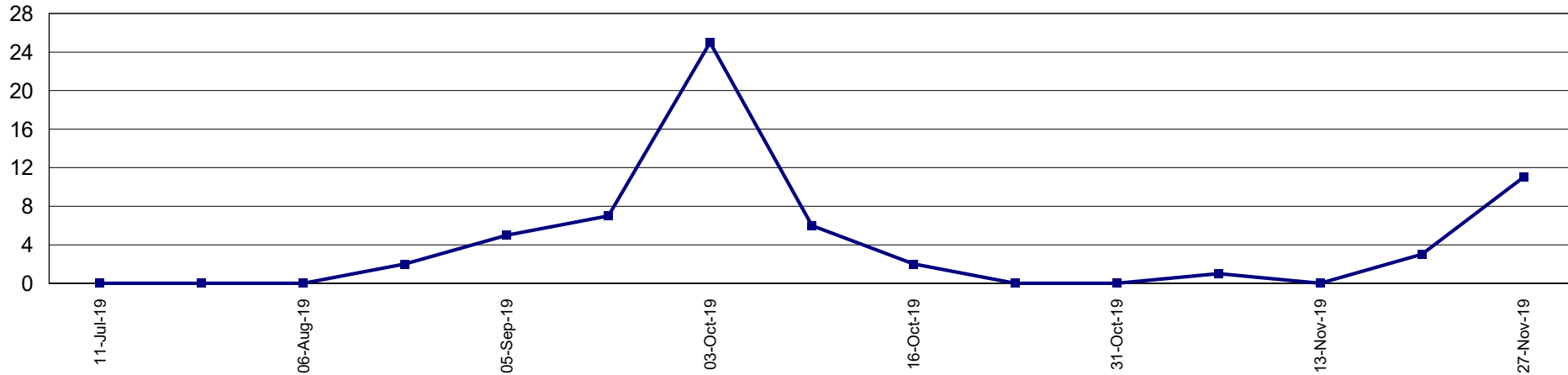
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

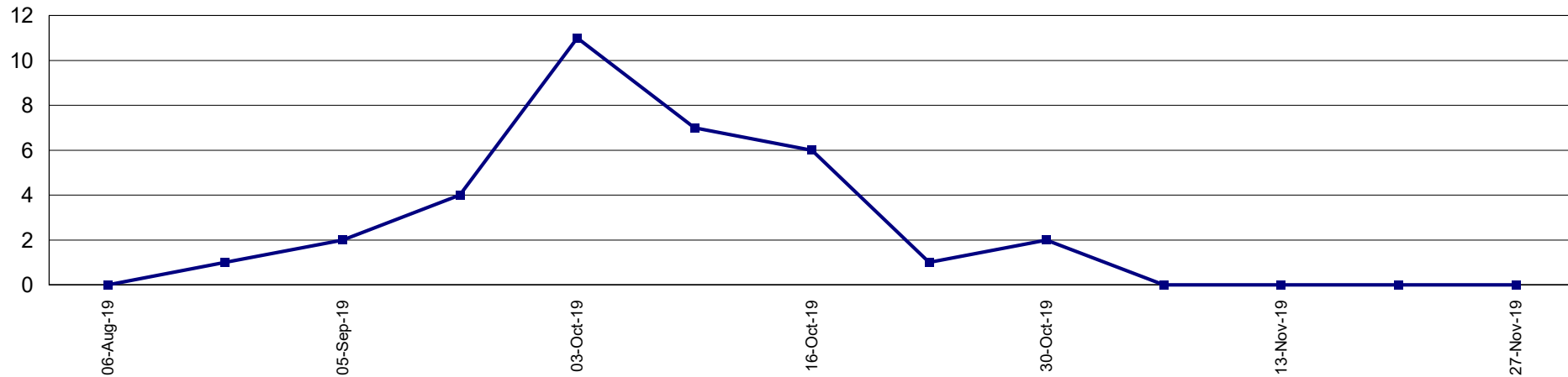
**Pest Service: QFF GMV**

**District: GE - Numurkah Urban**



**Pest Service: QFF GMV**

**District: GE - Rochester Urban**







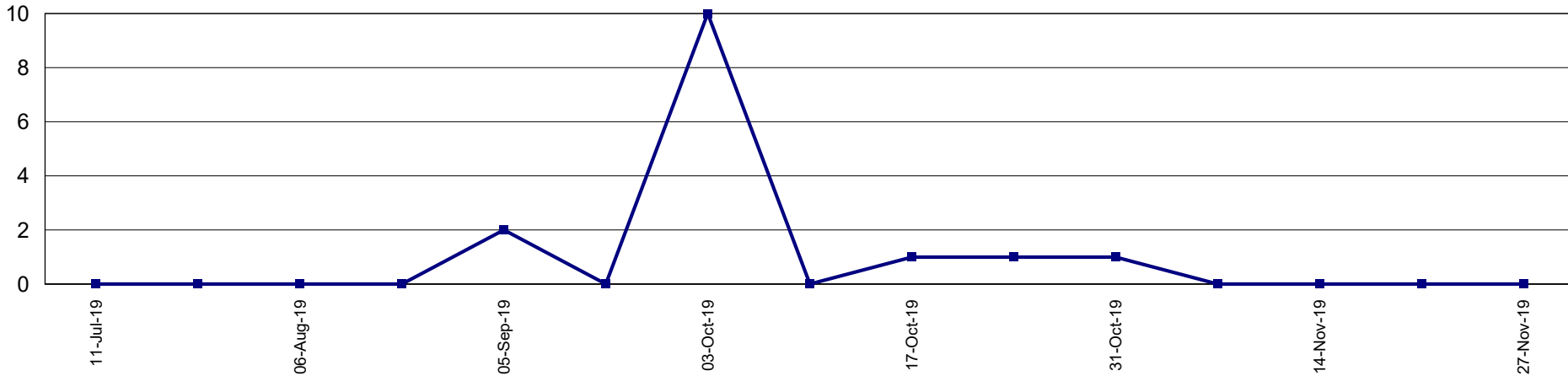
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

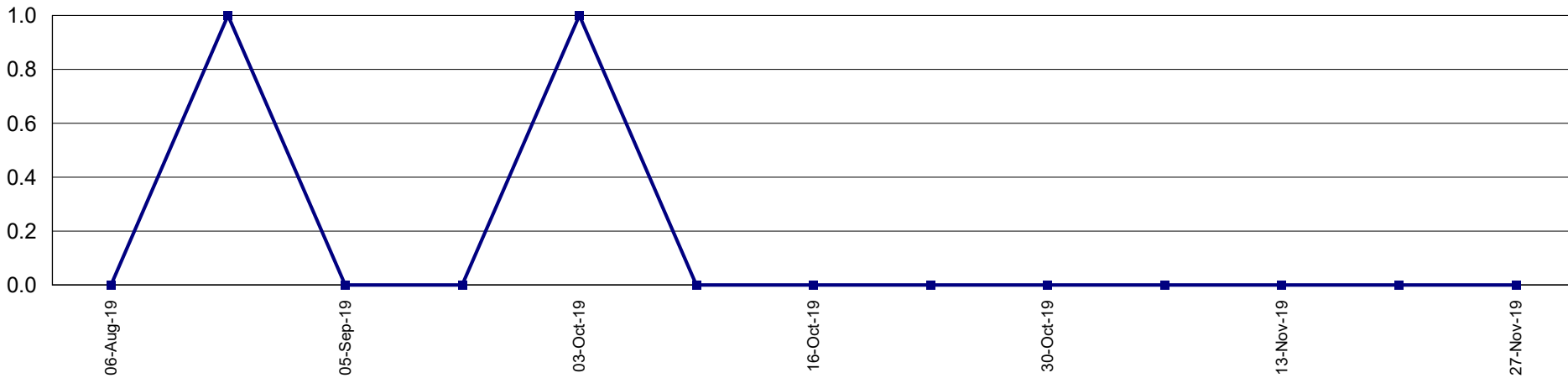
**Pest Service: QFF GMV**

**District: GE - Shepparton Urba**



**Pest Service: QFF GMV**

**District: GE - Stanhope Urban**





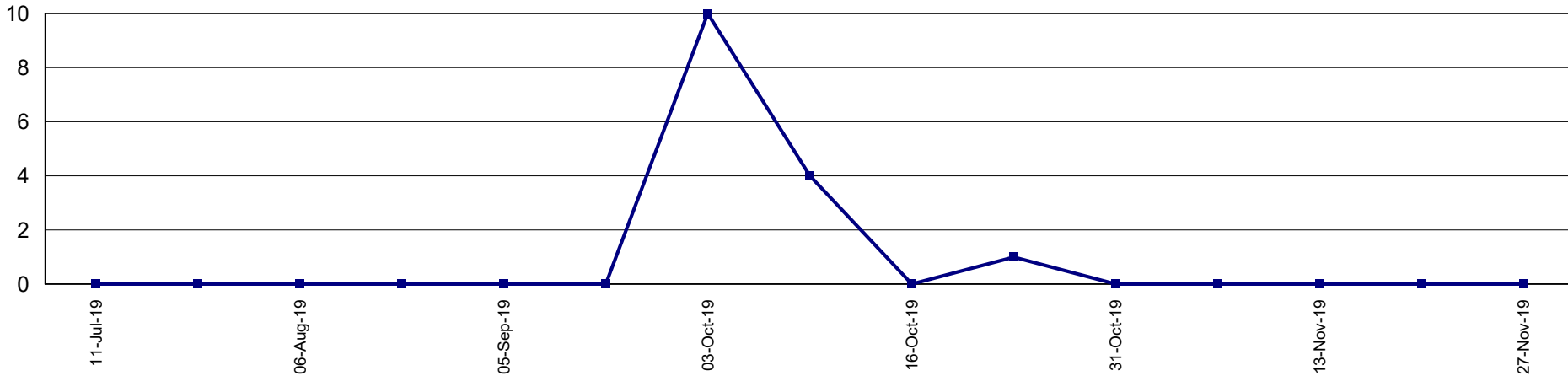
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

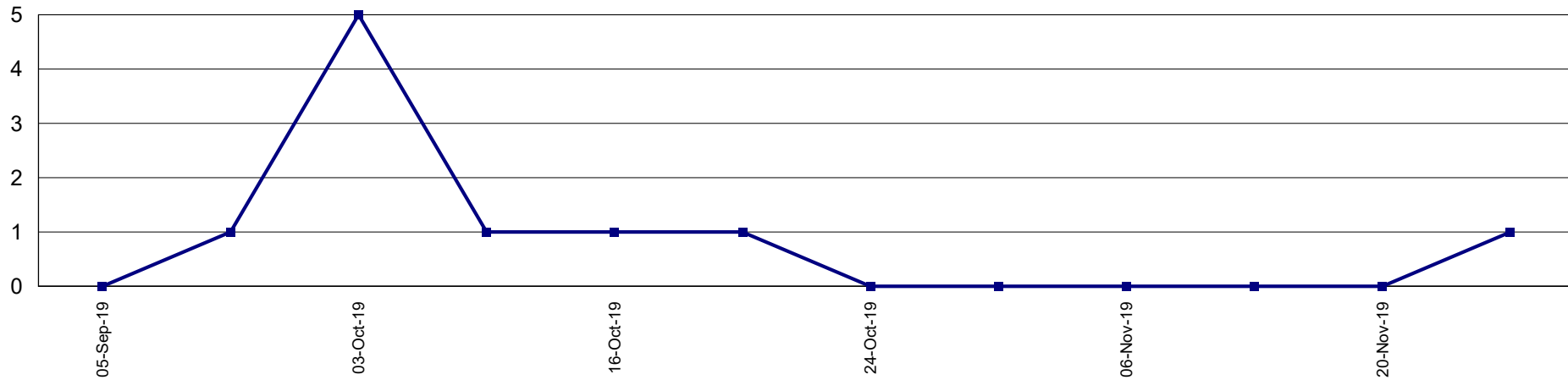
**Pest Service: QFF GMV**

**District: GE - Strathmerton Ur**



**Pest Service: QFF GMV**

**District: GE - Tocumwal Urban**





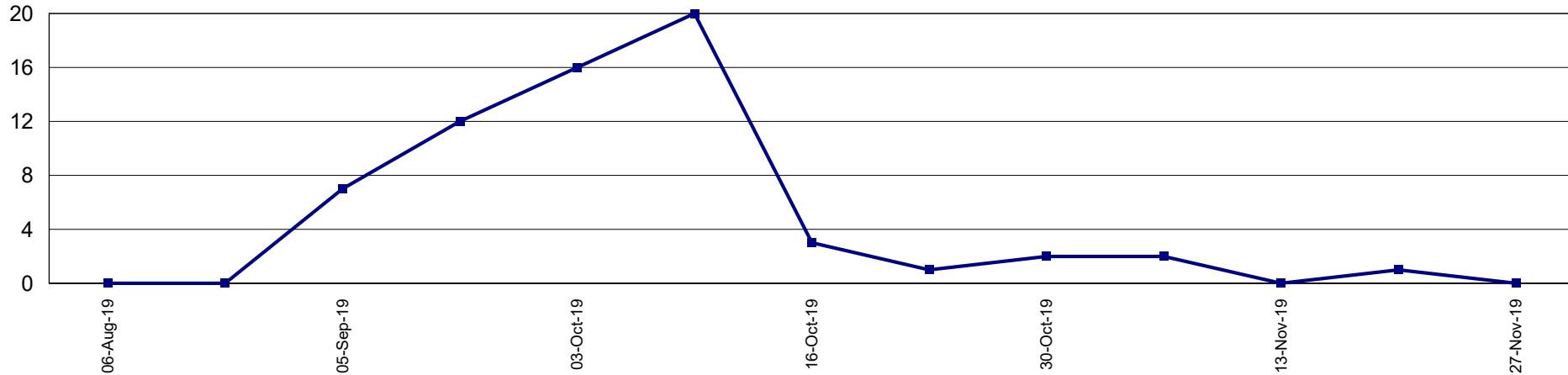
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

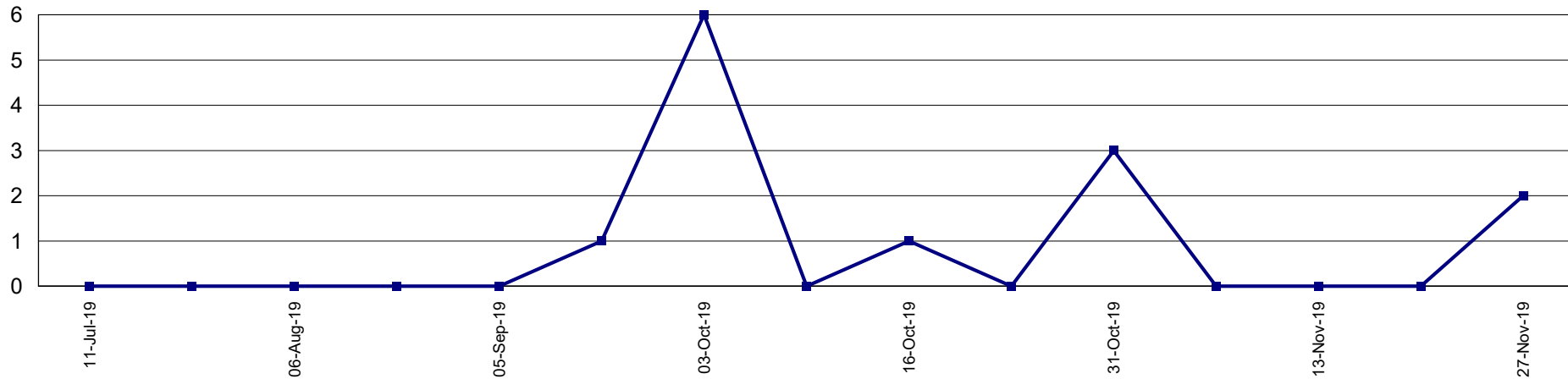
**Pest Service: QFF GMV**

**District: GE - Tongala Urban**



**Pest Service: QFF GMV**

**District: GE - Tungamah Urban**





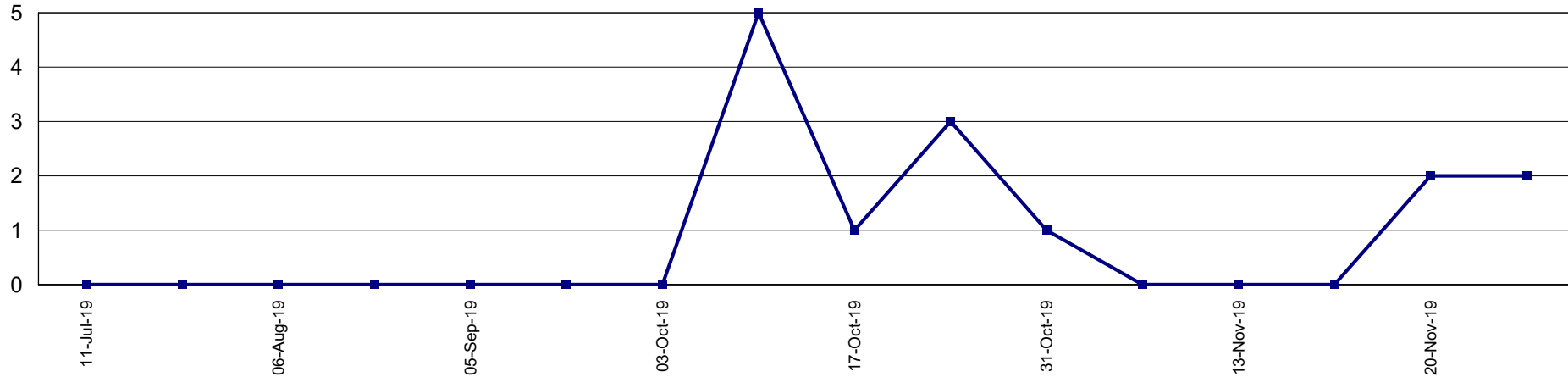
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

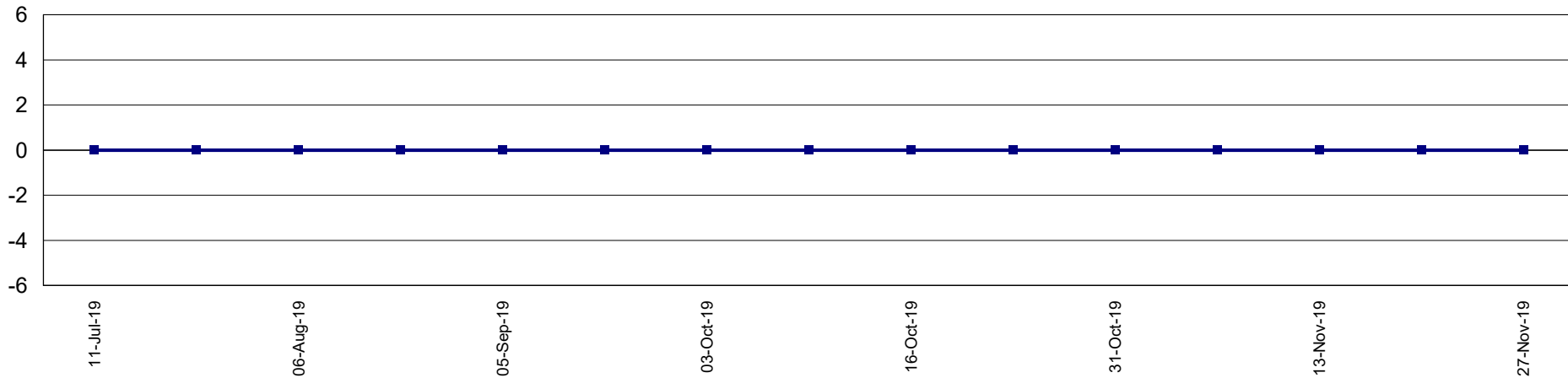
**Pest Service: QFF GMV**

**District: GE - Violet Town Urb**



**Pest Service: QFF GMV**

**District: GE - Wunghnu Urban**





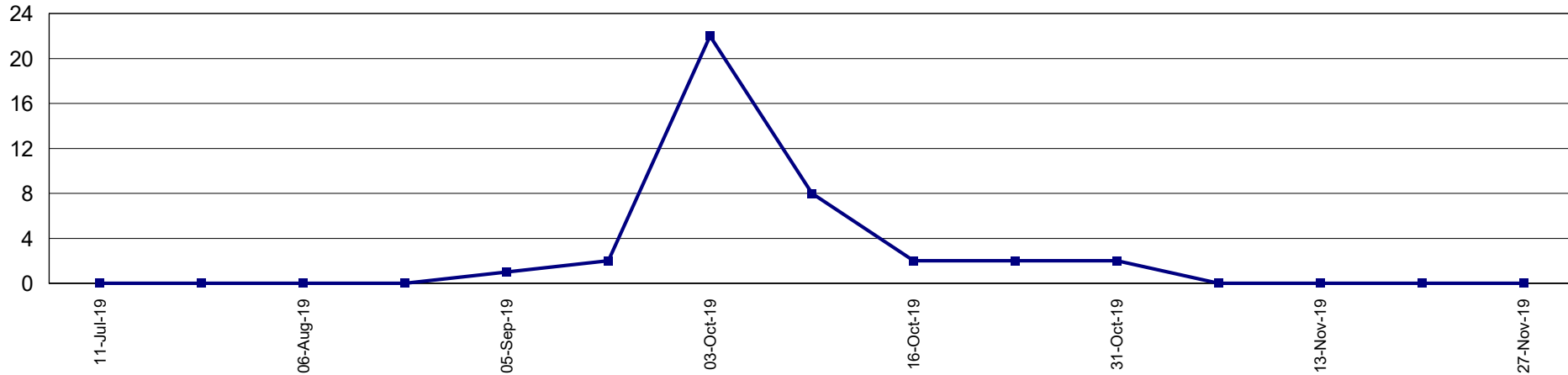
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

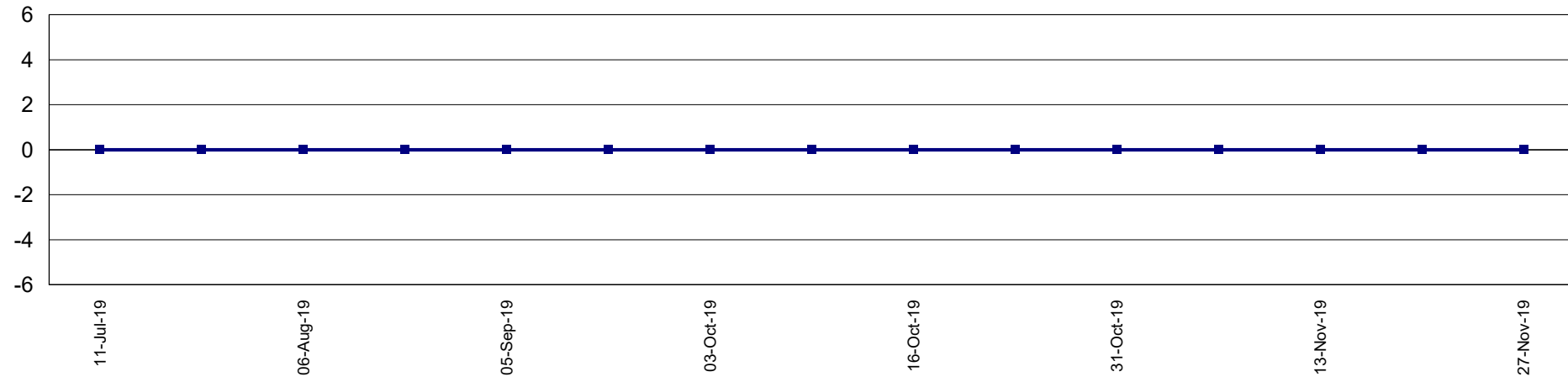
**Pest Service: QFF GMV**

**District: GE - Yarrawonga Urba**



**Pest Service: QFF GMV**

**District: GE - Yarroweyah Urba**





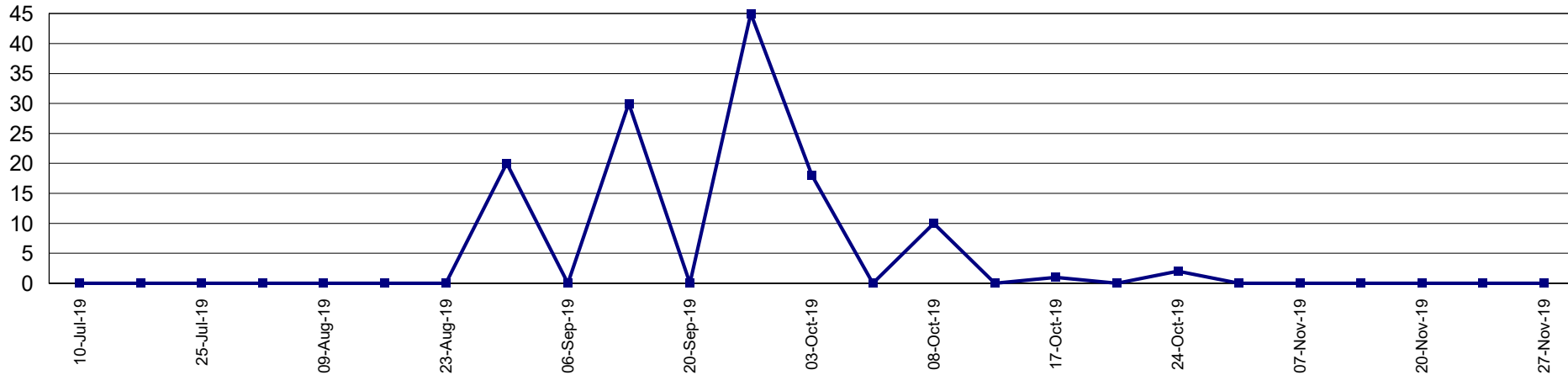
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

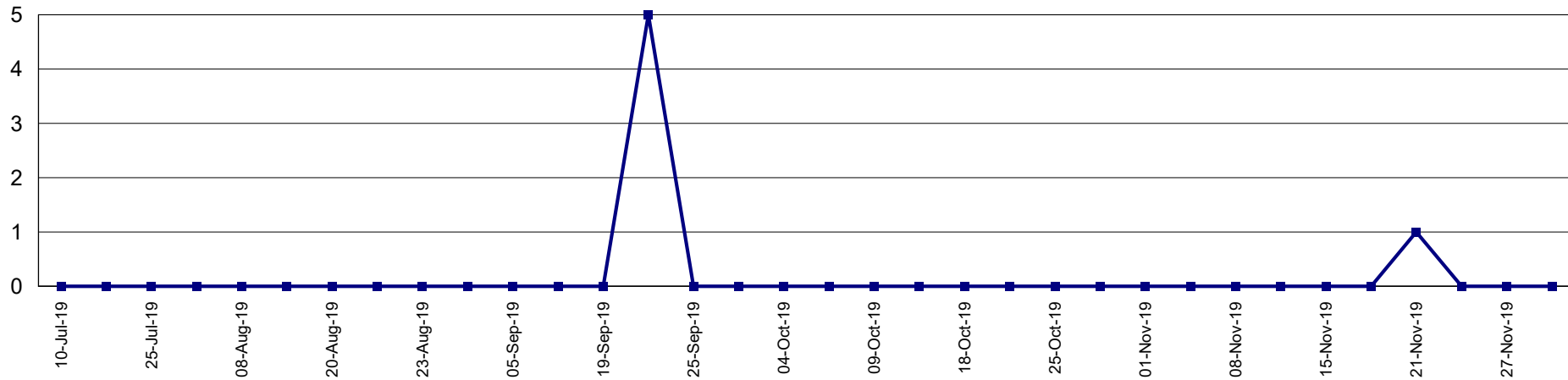
**Pest Service: QFF GMV**

**District: M01 - Cobram Urban**



**Pest Service: QFF GMV**

**District: M02 - Cobram Rural**





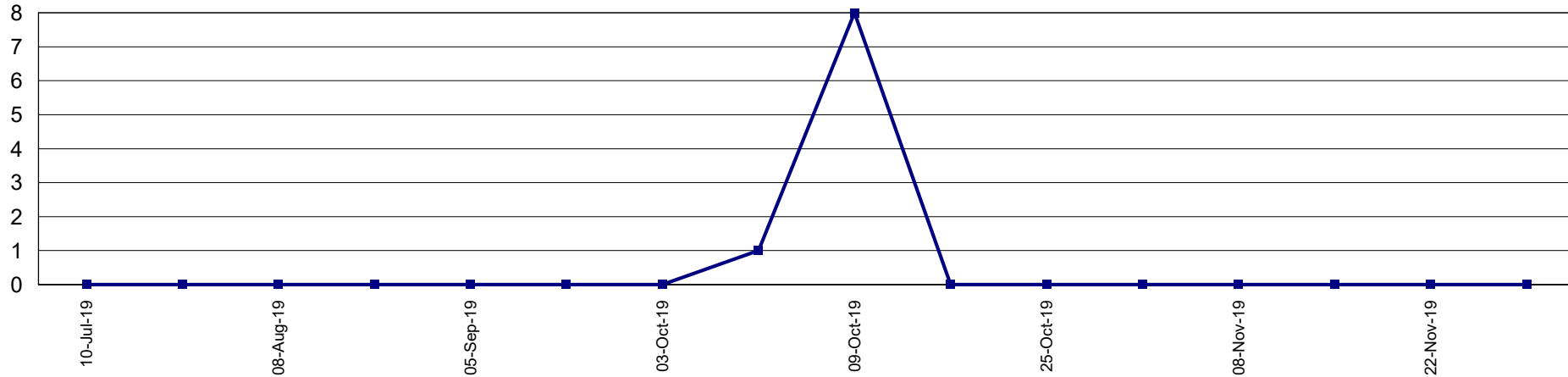
# Trap Readings (Totals)

Print Date: 4-Dec-2019

Date Range: 1-Jul-2019 to 30-Jun-2020

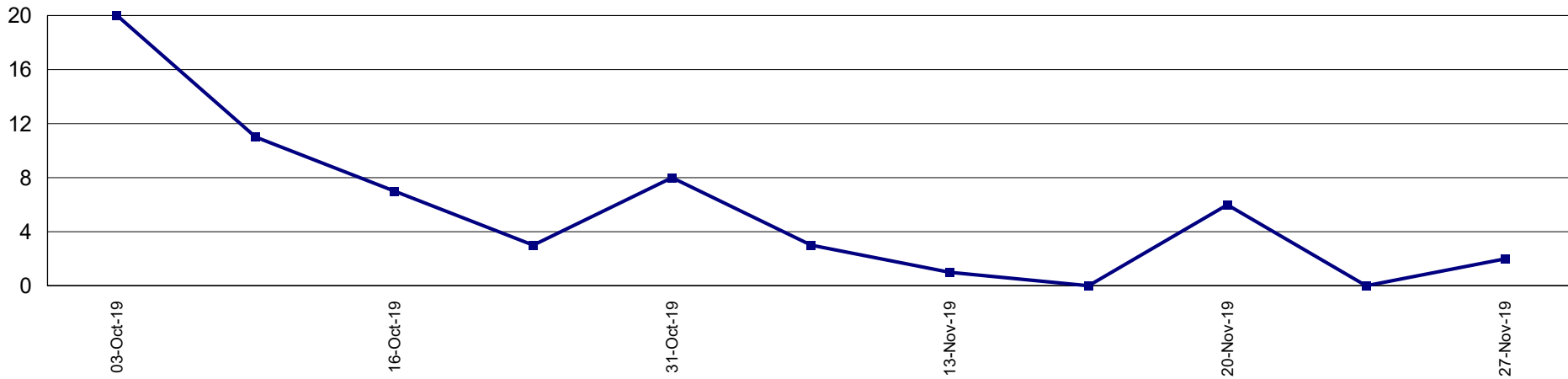
**Pest Service: QFF GMV**

**District: M03 - Invergordon**



**Pest Service: QFF GMV**

**District: MHS - Moira Shire**



# LOCAL TRAFFIC COMMITTEE

# MINUTES

**Thursday 24<sup>th</sup> October, 2019**  
**11am at Berrigan Shire Council Offices**





**LOCAL TRAFFIC COMMITTEE MEETING HELD THURSDAY 24 OCTOBER, 2019**

---

**PRESENT**

Mr Matthew Clarke	Director Technical Services, Berrigan Shire Council
Mr Gary George	Assets & Operations Manager, Berrigan Shire Council
Mr Fazlul Hoque (skype)	Roads and Maritime Services
Snr. Constable S Stringer	Deniliquin Police Highway Patrol
Mr Peter Barybon	Representative for MP Mrs Helen Dalton

**APOLOGIES**

Cr. Matthew Hannan	Berrigan Shire Council, Mayor
Mrs Helen Dalton	Member of Parliament
Sergeant Peter Kirk	NSW Deniliquin Police Force

---

**LTC 1            BERRIGAN CHRISTMAS STREET PARTY****Background**

The Berrigan District Development Association (BDDA) applied for a road closure on Chanter Street Berrigan to hold their Annual Christmas market night on Friday 6<sup>th</sup> December, 2019 between the hours of 5.00pm and 11.00pm.

**Recommendation 1:**

All parties agreed: That, Berrigan Shire Council approves the application from the Berrigan District Development Association (BDDA) for the temporary road closure of Chanter Street Berrigan from Drummond Street to Jerilderie Street, Berrigan from 5.00pm to 11.00pm on the 6<sup>th</sup> December, 2019 to permit the Annual Christmas Night Market to proceed and that Council lifts the alcohol free zone for the event subject to Berrigan district Development Association (BDDA) seeking a Road occupancy Licence from Roads and Maritime Services.

**LTC 2            2019/2020 COBRAM BAROOGA CYCLE CLUB RACE PERMIT****Background**

Raymond Jarratt on behalf of Cobram Barooga Cycling Club applied for a permit for 12 months. Their current permit is due to expire on 1<sup>st</sup> December, 2019.

The cycle club would like to hold race events every Sunday commencing at 9.30am for the year from 1<sup>st</sup> December, 2019 to 29<sup>th</sup> November, 2020.

**Recommendation 2:**

All parties agreed: That, Berrigan Shire Council approve the application for the Cobram Barooga Cycle Club to hold their weekly race events for the next 12 months from 1<sup>st</sup> December, 2019 to 29<sup>th</sup> November, 2020.

**FILE NOTE:** Reference is to be made to Cobram Barooga Cycling club to submit future applications 90 days before the Local Traffic Committee meeting to allow Police enough time to review.

**LTC 3            SPEED LIMIT REDUCTION – BRUCE BIRREL DRIVE, TOCUMWAL****Background**

Council received an email from Ben & Colleen Pullar dated 18<sup>th</sup> September, 2019 with the request to reduce the speed limit from 80km/hr to 50km/hr on Bruce Birrel Drive, Tocumwal.

Due to a complaint from a local resident in relation to being stuck behind the school bus as it stopped, the school bus now only stops on the intersection of Hunter Drive and Bruce Birrel Drive, Tocumwal. This requires school aged children to walk along the edge of the road with vehicles permitted to drive 80km/hr on the nature strip that is not well maintained with long grass, dead trees and possible snakes.

**Recommendation 3:**

All parties agreed: That Berrigan Shire Council request Transport for NSW (TfNSW) to review the speed zone along Bruce Birrel Drive, Tocumwal with the proposal to reduce the posted speed limit from 80km/hr to 50km/hr along the entire length of Bruce Birrel Drive and that Berrigan Shire Council consider the implementation of a gravel walking track along Bruce Birrel Drive, Tocumwal from Bruton Street to Racecourse Road.

**GENERAL BUSINESS**

- Snr S Stringer requested that the pull over area for the Strawberry Fields event have a water truck to spray to keep dust down.
- Faz Hoque asked for feed-back from Berrigan Shire Council on the installation date for speed reduction signs to go in on Strathvale Road and Oaklands Road.

With no more business the meeting closed at 11.30am.