



Hawkesbury City Council

Attachment 1
to
item 235

Comparison of Core Requirements
identified in the Discussion Paper and
Council's current practices.

date of meeting: 10 December 2019
location: council chambers
time: 6:30 p.m.

Core requirement 1: Appoint an independent Audit, Risk and Improvement Committee

Proposed Implementation Date – By March 2021

	Compliant (Y/N/ Partially)	Proposed Response to Discussion paper	Estimated Additional Cost	Comment / Discussion
a) 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.	Partially	It is debateable the Audit, Risk and Improvement Committee should be involved in the remuneration of the Chief Audit Executive.		Council's current Audit Committee is comprised of three independents and two Councillors. A new Charter will need to be adopted to reflect the requirements of Section 428A of the Local Government Act and the proposed Internal Audit and Risk Management framework.
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.	N	It is suggested the proposed Model Terms of Reference are released for comment.		Council's Audit Committee currently operating in accordance with the Charter based on the Internal Audit Guidelines issued in 2010, and adopted by Council in October 2018.

	Compliant (Y/N/ Partially)	Proposed Response to Discussion paper	Estimated Additional Cost	Comment / Discussion
<p>c) The Audit, Risk and Improvement Committee is to comprise of three to five independent members who are prequalified via the <i>NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members</i>.</p>	<p>Partially</p>	<p>The proposed composition of the Audit, Risk and Improvement Committee excludes Councillors. The exclusion of Councillors would result in the elimination of the direct line of sight into Council's governance. It is suggested that consideration could be given to Councillors being part of the Audit, Risk and Improvement Committee.</p> <p>The requirement for the independent members to be prequalified via the <i>NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members</i> could exclude potential Committee members that would otherwise be valuable members. The requirement may exclude the current Committee members as the criteria are quite extensive. It is suggested that there is the opportunity to pre-qualify current Committee Members following the required qualification process.</p> <p>The exclusion of individuals that have worked in <i>any</i> Council in the last three years should be reviewed. Whilst the exclusion of individuals working for the Council applicable to the Committee is appropriate, the exclusion of all those that have worked in <i>any</i> Council would exclude many individuals with significant experience in the local government industry and that could add significant value to the Committee. It would also severely limit the ability to share learnings across the industry. It is suggested that the limitation is only applied to individuals having worked in the specific council.</p>	<p>Based on Council being classed as a Medium Council the cost is \$16,213 per member per annum</p>	<p>Current framework allows for Councillor representation. Council's current Audit Committee is comprised of three independents and two Councillors.</p> <p>No fees are currently paid to Council's Audit Committee members. There is no provision for payment of Audit Committee members in Council's Long Term Financial Plan.</p> <p>Committee Members will still have the choice to be voluntary members. However, it is envisaged that Council will need to pay the fees to attract Committee members.</p>

		The application of the NSW Government remuneration scheme fees and charges to the Audit Committee Members in local government would place significant cost pressures on councils.		
	Compliant (Y/N/ Partially)	Proposed Response to Discussion paper	Estimated Additional Cost	Comment / Discussion
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.	N	It is suggested that a term of 4 years in line with the Council term is mandated. This would facilitate Council representation on the Committee		Council has generally aligned the term of the Audit Committee with the Term of the Council.
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 (see below) should attend except where excluded by the Committee.	Y			<p>The Audit Committee currently meets quarterly and additional meetings are held if required.</p> <p>The General Manager, the Chief Audit Executive and the Chief Financial Officer attend all Committee meetings in line with the current Charter.</p>

	Compliant (Y/N/ Partially)	Proposed Response to Discussion paper	Estimated Additional Cost	Comment / Discussion
f) Audit, Risk and Improvement Committee members are to comply with the council's code of conduct and the conduct requirements of the <i>NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members</i>	Partially			The Audit Committee complies with Council's Code of Conduct.
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.	N			The current framework requires resolution by the governing body.

	Compliant (Y/N/ Partially)	Proposed Response to Discussion paper	Estimated Additional Cost	Comment / Discussion
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.	Partially	It is suggested that the requirement to be assessed by an external party is reviewed. The requirement to select the Audit Committee members through NSW Government's Prequalification Scheme provides sufficient rigour around the level of competency of the members themselves. The independence requirement ensures there is no conflict of interests. Accordingly there appears to be no need for another layer of review.	Estimated \$10,000 every four years	<p>The Audit Committee currently undertakes a self-assessment every two years and submits an annual report to Council regarding the committee's performance against the requirements in the Charter.</p> <p>The Minutes of all Audit Committee meetings are submitted to Council for information.</p>
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.	Y			Council provides secretariat support to the Audit, Risk and Improvement Committee. Minutes are recorded for all Committee meetings.

Core requirement 2: Establish a risk management framework consistent with the current Australian risk management standards

Proposed Implementation Date:

Development of a Framework and Appointment of a Risk Management Coordinator – By December 2022
Risk Management Framework to be fully implemented and fully compliant with requirements – By 2024

a)	Each council is to establish a risk management framework that is consistent with current Australian standards for risk management.	N			Council is currently in the process of developing an Enterprise Risk Management Framework which will be consistent with the applicable current Australian Standards.
b)	The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework.	N		To be determined	Resources and associated budget to be determined as part of the implementation of the Enterprise Risk Management framework. It is proposed that it is a requirement for each council to nominate a Risk Coordinator in addition to the existing roles of Chief Audit Executive and Internal Auditor.
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.	N			Council is currently in the process of developing an Enterprise Risk Management Framework which will be consistent with the applicable current Australian Standards.

Core requirement 2: Establish a risk management framework consistent with the current Australian risk management standards

Proposed Implementation Date:

Development of a Framework and Appointment of a Risk Management Coordinator – By December 2022
Risk Management Framework to be fully implemented and fully compliant with requirements – By 2024

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.	N			Council is currently in the process of developing an Enterprise Risk Management Framework which will be consistent with the applicable current Australian Standards.
e)	Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability.	Partially			Some risk management responsibilities included in staff position descriptions. These responsibilities will be expanded in accordance with the Enterprise Risk Management framework when implemented.
f)	Each council is to ensure its risk management framework is regularly monitored and reviewed.	N			Council is currently in the process of developing an Enterprise Risk Management Framework which will be consistent with the applicable current Australian Standards.
g)	The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities.	Y			Internal Audits conducted and submitted to the Audit Committee.

Core requirement 2: Establish a risk management framework consistent with the current Australian risk management standards

Proposed Implementation Date:

Development of a Framework and Appointment of a Risk Management Coordinator – By December 2022
Risk Management Framework to be fully implemented and fully compliant with requirements – By 2024

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.	N			Council is currently in the process of developing an Enterprise Risk Management Framework which will be consistent with the applicable current Australian Standards.
---	----------	--	--	--

Core requirement 3: Establish an internal audit function mandated by an Internal Audit Charter

Proposed Implementation Date – By December 2022

a) Each council is to establish an internal audit function.	Y			Council has established 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.	Y			A budget is allocated for the internal Audit function. A review of the required resourcing will be undertaken if the proposals in the Discussion Paper are implemented. Additional resources may be required.
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.	Y			
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.	Y	The Model Charter needs to be released for endorsement by the Audit, Risk and Improvement Committee and adoption by Council.		The Audit Committee operates under the current Model Internal Audit Charter.

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

Proposed Implementation Date – By December 2022

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.	Y		Cost to be determined	The role of Chief Audit Executive is currently with the Director Support Services. Council may need to appoint a separate resource to undertake the functions of the Chief Audit Executive and the Risk Coordinator to resource the requirements of the proposed framework.
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.	Y			
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 completely or partially outsource their internal audit function to an external provider.	Y			Council partially outsources its internal audit function. An external organisation undertakes audits and an Internal Coordinator staff position supports the Chief Audit Executive and the Internal Audit function.

Core requirement 5: Develop an agreed internal audit work program

Proposed Implementation Date – By 2024

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	Y			A 4 year Strategic Audit Plan is developed and is endorsed by the Audit Committee.
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 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	Y			<p>An annual audit plan is developed by the Chief Audit Executive and is endorsed by the Audit Committee.</p> <p>The audit plan is informed by the risk register (currently being updated) and may be updated as required to respond to organisational risk priorities, subject to endorsement by the Audit Committee.</p>
c)	The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed	Y			The status of audits and associated management actions are reported to the Audit Committee on a regular basis.

Core requirement 6: How to perform and report internal audits

Proposed Implementation Date – By 2024

a)	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	Y			Council has outsourced the carrying out of internal audits to a suitably qualified and recognised internal audit organisation.
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	Y			Procedures have been developed and are adhered to.

Core requirement 6: How to perform and report internal audits

Proposed Implementation Date – By 2024

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	Y	It is suggested that the applicable timeframe for remedial actions and responses to be provided to the Audit Committee is reviewed to be “the next available Audit, Risk and Improvement Committee” rather than the proposed 10 working days.		<p>All internal audits, including findings and management actions are reported to the Audit Committee.</p> <p>It is proposed that all internal audit findings are to have remedial actions and a response from the General Manager to be approved and provided to the Committee within a maximum of ten working days - The current framework does not have this requirement.</p> <p>It is proposed that the Audit, Risk and Improvement Committee can approve the release of internal audit reports to use by any other person or external party - Currently only Chief Audit Executive may authorise release.</p>
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)	Y			

Core requirement 7: Undertake ongoing monitoring and reporting

Proposed Implementation Date – By 2024

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	Y			
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	Partially	Clarification is sought as to whether the submission of Minutes to Council addresses this requirement		Minutes of the Audit Committee are reported to Council
c)	The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair	Y			

Core requirement 8: Establish a quality assurance and improvement program

Proposed Implementation Date – By 2024

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	Partially			The Audit Committee currently undertakes a self-assessment every two years and submits an annual report to Council regarding the committee's performance against the requirements in the Charter.
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	N			

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	N/A			
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	N/A			
c)	The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements	N/A			

As well as the key amendments outlined above, the proposed new framework has not addressed some errors and/or inconsistencies that exist in the current framework, including;

- The Audit Risk and Improvement Committee being able to approve (as opposed to endorse) strategic plans, work plans, and/or tools to be used by Internal Audits.
- Free and inconsistent use of terminology such as 'complies with' versus 'consistent with' or 'in accordance with' when referencing the Australian Standards AS ISO 31000.2018 and/or the International Professional Practices Framework (IPPF). The Term 'complies with' confers a much higher level of obligation (and may lead to an expectation of accreditation against) than may be practical within the local government context, particularly in relation to small, isolated regional or rural communities. AS both the existing and the new framework aspire to recognise the unique circumstances of local government, terminology used within any framework should be consistent and appropriate to all councils across NSW. The preference is that the term “aligned to” be used.