

21 October 2024

At 1.00 pm

**Corporate, Finance, Properties and
Tenders Committee**

Agenda

- 1. Confirmation of Minutes**
- 2. Statement of Ethical Obligations and Disclosures of Interest**
- 3. Audit Risk and Compliance Committee Annual Report to Council 2023/24 and Audit Risk and Compliance Committee - Membership, Terms of Reference, Internal Audit Charter, Strategic Work Plan and Risk Appetite Statement**
- 4. Presentation of the 2023/24 Financial Statements and Audit Reports to Council**
- 5. Investments Held as at 31 August 2024**
- 6. Investments Held as at 30 September 2024**
- 7. Lease Variation – Palace Cinema Nominees Pty Ltd - Chauvel Cinema, Paddington**
- 8. Lease Approval - Level 18, 456 Kent Street, Sydney - JTB Oceania Pty Ltd**

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1. Register to speak by calling Secretariat on 9265 9702 or emailing secretariat@cityofsydney.nsw.gov.au before 10.00am on the day of the meeting.
2. Check the recommendation in the Committee report before speaking, as it may address your concerns so that you just need to indicate your support for the recommendation.
3. Note that there is a three minute time limit for each speaker (with a warning bell at two minutes) and prepare your presentation to cover your major points within that time.
4. Avoid repeating what previous speakers have said and focus on issues and information that the Committee may not already know.
5. If there is a large number of people interested in the same item as you, try to nominate three representatives to speak on your behalf and to indicate how many people they are representing.

Committee meetings can continue until very late, particularly when there is a long agenda and a large number of speakers. This impacts on speakers who have to wait until very late, as well as City staff and Councillors who are required to remain focused and alert until very late. At the start of each Committee meeting, the Committee Chair may reorder agenda items so that those items with speakers can be dealt with first.

Committee reports are available at www.cityofsydney.nsw.gov.au

Item 1.

Confirmation of Minutes

Minutes of the following meetings of the Corporate, Finance, Properties and Tenders Committee are submitted for confirmation:

Meeting of 12 August 2024

Item 2.**Statement of Ethical Obligations**

In accordance with section 233A of the Local Government Act 1993, the Lord Mayor and Councillors are bound by the Oath or Affirmation of Office made at the start of the Council term to undertake their civic duties in the best interests of the people of the City of Sydney and the City of Sydney Council and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act 1993 or any other Act, to the best of their ability and judgement.

Disclosures of Interest

Pursuant to the provisions of the Local Government Act 1993, the City of Sydney Code of Meeting Practice and the City of Sydney Code of Conduct, Councillors are required to disclose and manage both pecuniary and non-pecuniary interests in any matter on the agenda for this meeting.

In both cases, the nature of the interest must be disclosed.

This includes receipt of reportable political donations over the previous four years.

Item 3.

Audit, Risk and Compliance Committee Annual Report to Council 2023/24 and Audit Risk and Compliance Committee - Membership, Terms of Reference, Internal Audit Charter, Strategic Work Plan and Risk Appetite Statement

File No: S083523

Summary

In December 2023 the Local Government (General) Amendment (Audit, Risk, and Improvement Committees) Regulation 2023 was made under the Local Government Act 1993. The NSW Office of Local Government (OLG) also issued their guidelines to councils.

These guidelines articulate clear principles and specific core requirements for Audit Risk and Compliance Committees, internal audit and risk management functions. The requirements align with *the Institute of Internal Auditors' International Professional Practices Framework* (IPPF or the standards). This report advises the Council of newly established requirements for the Audit Risk and Compliance Committee (ARCC) and tables various reports and associated documents for the Council's adoption. These are:

- Audit Risk and Compliance Committee Annual Report to Council 2023/24
- Audit Risk and Compliance Committee Strategic Work Plan 2024-2028
- Audit Risk and Compliance Committee Terms of Reference
- Internal Audit Charter
- Recommendations for the appointment of additional external independent members for the Audit Risk and Compliance Committee
- Risk appetite statement

Additionally, under the Local Government (General) Regulation 2021 s 216C Council may appoint one councillor, who must not be the Lord Mayor, to the Audit Risk and Compliance Committee.

Recommendation

It is resolved that:

- (A) Council note the Audit Risk and Compliance Committee's 2023/24 Annual Report as shown at Attachment A to the subject report;
- (B) Council approve the Audit Risk and Compliance Committee's Strategic Work Plan 2024 - 2028 as shown at Attachment B to the subject report;
- (C) Council approve the Audit Risk and Compliance Committee's Terms of Reference at Attachment C to the subject report;
- (D) Council approve the Internal Audit Charter as shown at Attachment D to the subject report;
- (E) Council adopt the Risk Appetite Statement as shown at Attachment E to the subject report; and
- (F) Council approve the appointment of Rosemary Milkins and Robert Lagaida as additional independent members for the Audit Risk and Compliance Committee for a four year period commencing from 1 December 2024; and
- (G) Council appoint Councillor _____ as the council representative member to the Audit Risk and Compliance Committee for a period of four years.

Attachments

- Attachment A.** Audit Risk and Compliance Committee (ARCC) Annual Report to Council 2023/24
- Attachment B.** Audit Risk and Compliance Committee - Strategic Work Plan 2024 - 2028
- Attachment C.** Audit Risk and Compliance Committee - Terms of Reference
- Attachment D.** Internal Audit Charter
- Attachment E.** Risk Appetite Statement
- Attachment F.** CVs of Recommended Additional Members for the Audit Risk and Compliance Committee

Background

1. The primary objectives of the Audit Risk and Compliance Committee (ARCC) are to:
 - (a) assist the Council in discharging its responsibilities in relation to:
 - (i) financial reporting practices;
 - (ii) business ethics, policies and practices;
 - (iii) accounting policies;
 - (iv) risk management and internal controls; and
 - (v) compliance with laws, regulations, standards and best practice guidelines; and
 - (b) ensure the integrity of the internal audit function.
2. The council authorises the Audit Risk and Compliance Committee, within the scope of its role and responsibilities, to:
 - (a) obtain any information it needs from any employee or external party (subject to their legal obligations to protect information);
 - (b) discuss any matters with the external auditor or other external parties;
 - (c) request the attendance of any employee or councillor at ARCC meetings; and
 - (d) subject to confidentiality considerations, obtain external legal or other professional advice considered necessary to meeting its obligations.
3. In December 2023, the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023 was made under the Local Government Act 1993 (the "Act"). These provisions are now in force as part of the Local Government (General) Regulation 2021 (the "Regulation"). The Office of Local Government has also published the Guidelines for Risk Management and Internal Audit (the "guidelines") under s 23A of the Act.
4. The guidelines require each council in NSW to have:
 - (a) an audit, risk and improvement committee that continuously reviews and provides independent advice to the council on how it is functioning and managing risk;
 - (b) a robust risk management framework that accurately identifies and mitigates the risks facing the council and its operations; and
 - (c) an effective internal audit function that provides independent advice as to whether the council is functioning effectively and the council's internal controls to manage risk are working.
5. Additionally, the guidelines articulate clear principles and specific core requirements that align with the Institute of Internal Auditors International Profession Practices Framework (IPPF or the standards) for internal audit functions.

6. The guidelines clarify roles and responsibilities across risk management and internal audit, promote efficient and effective oversight arrangements, and streamline attestation requirements.
7. This report presents for Council's adoption several documents which are required to be adopted by Council under the Act, Regulation or guidelines.

Audit Risk and Compliance Committee Annual Report to Council 2023/24

8. The Audit Risk and Compliance Committee is required by its previous charter and the new Office of Local Government Model Terms of Reference to report annually to the council. This report (Attachment A) covers 1 July 2023 to 30 June 2024.

Audit Risk and Compliance Committee Strategic Work Plan 2024 - 2028

9. The Audit Risk and Compliance Committee Strategic Work Plan is at Attachment B to this report. The Strategic Work Plan has been developed under the guidelines, which require the Audit Risk and Compliance Committee to develop a strategic work plan every four years to ensure all matters listed in section 428A of the Local Government Act 1993 are reviewed by the Audit Risk and Compliance Committee and considered by the Internal Audit unit when developing their risk-based program of internal audits.
10. The Audit Risk and Compliance Committee Strategic Work Plan 2024-2028 was developed by the Audit Risk and Compliance Committee in consultation with the Council, the Chief Executive Officer, the Chief Internal Auditor, and senior managers (where appropriate) and is to be tabled for adopted by the Council at the start of the Council term.
11. The nature of the Audit Risk and Compliance Committee Strategic Work Plan is commensurate with the size and operational complexity of the Council and its risk profile and consistent with the requirements of the *Institute of Internal Auditors' International Professional Practices Framework* (IPPF or the standards). It contains:
 - the goals and expected outcomes of the ARCC for the council term;
 - key organisational issues and risks faced by the Council and how the ARCC will review these; and
 - key performance indicators to measure progress across the Council term.
12. When developing the Audit Risk and Compliance Committee Strategic Work Plan for the Council, the Audit Risk and Compliance Committee considered these points:
 - the Council's strategic objectives;
 - risks facing the Council;
 - the work of other review activities or functions (e.g., external and performance audits, and reviews or audits by other government agencies);
 - an assurance map of the Council's assurance activities which may assist to determine where the Audit Risk and Compliance Committee's and the Internal Audit unit should focus; and
 - stakeholder expectations.

13. There is also sufficient flexibility in the Audit Risk and Compliance Committee Strategic Work Plan to accommodate the need for additional audits on emerging risks from time to time.
14. The Audit Risk and Compliance Committee may, in consultation with the Council, vary its strategic work plan at any time to address new or emerging risks.
15. The Council may also, by resolution, request the Audit Risk and Compliance Committee to approve a variation to the strategic work plan. However, any decision to vary its strategic work plan rests with the Audit Risk and Compliance Committee. When considering whether to vary its strategic work plan, the Audit Risk and Compliance Committee must consider the impact of the variation on the Internal Audit unit's existing workload and the completion of pre-existing priorities and activities already identified. This strategic work plan meets these requirements.
16. The Audit Risk and Compliance Committee Strategic Work Plan incorporates:
 - objectives and purpose;
 - Audit Risk and Compliance Committee responsibilities and meeting planner;
 - Checklist of requirements for end-of-council term reporting; and
 - Four-Year Internal Audit strategic work plan.
17. The Audit Risk and Compliance Committee must review its Strategic Work Plan at least annually to ensure it is dynamic, relevant, and aligns with the council's risk profile.

Audit Risk and Compliance Committee Terms of Reference

18. Although the Audit Risk and Compliance Committee has had a charter in place for many years, based on NSW Treasury's TPP 09-05, in accordance with the guidelines it is recommended that Council adopt the Office of Local Government's model terms of reference with only minor additions or amendments. All additions to the terms of reference are consistent with the guidelines and for the most part represent additional details such as timeframe, etc. These updated terms of reference have been endorsed by the Audit Risk and Compliance Committee.
19. The new proposed Audit Risk and Compliance Committee terms of reference are at Attachment C to this report. These new terms of reference will replace the existing Audit Risk and Compliance Committee Charter.
20. The key additional provisions over and above the Office of Local Government model terms of reference are as follows:
 - that expenditure by the Audit Risk and Compliance Committee on external legal or other legal fees be with the prior approval of the Chief Executive Officer, reflecting that Audit Risk and Compliance Committee is not able to vote expenditure on behalf of Council;
 - that current committee members be listed on the City's website;

- that provision be included to enable up to two additional Audit Risk and Compliance Committee independent members to be appointed from time to time. This is consistent with the guidelines' requirement for a minimum of three independent members (including the chair). This will enable the City to better stage and transition the current membership arrangements over the next year as the terms of both the chair and one independent member will come to an end on 30 June 2025.
- a provision confirming the Audit Risk and Compliance Committee can meet in-camera to discuss specific issues if required.

Internal Audit Charter

21. Although the Internal Audit unit has had a charter in place for many years, based on NSW Treasury's TPP 09-05 and the Office of Local Government's Model Charter for Audit 2010, we have entirely adopted the Internal Audit model charter published with the guidelines with only minor additions. The new Internal Audit Charter is at Attachment D to this report. All additions to the charter are consistent with the guidelines. This proposed Internal Audit Charter has been endorsed by the Audit Risk and Compliance Committee.
22. The Office of Local Government's guidelines seek to articulate clear principles and specific core requirements that align with the *Institute of Internal Auditors' International Professional Practices Framework* (IPPF or the standards) for internal audit functions as updated, clarify roles and responsibilities across internal audit, and promote efficient and effective oversight arrangements.

Risk appetite statement

23. The Guidelines also require the Council to have a risk appetite statement endorsed by the Audit Risk and Compliance Committee and adopted by the Council.
24. The Risk Appetite Statement is a central part of the City's risk management framework. It describes the amount of risk the Council is willing to accept in pursuit of its goals and as such, is designed to guide actions and decision-making across the organisation.
25. The Risk Appetite Statement has been endorsed by the Audit Risk and Compliance Committee and is presented to Council at Attachment E for adoption.

Appointment of additional external independent members for the Audit Risk and Compliance Committee

26. On 26 June 2023, Council endorsed updated position descriptions which reflect the requirements of the (then) draft guidelines to enable an expression of interest process to identify appropriate candidates for the role of independent members. Authority was delegated to the chair of the Audit Risk and Compliance Committee in conjunction with the Chief Executive Officer to conduct the expression of interest and recruitment process.
27. On 23 October 2023, Council appointed the Councillor Robert Kok to participate in the interview process and preparation of recommendations to Council for the appointment of new external members to the Audit Risk and Compliance Committee.

28. A call for expressions of interest was advertised in mainstream media outlets, the City's website, and via the Jobs Board through the Institute of Internal Auditors website. Applications were open from 2 July 2024 to 21 July 2024. A total of 18 applications were received.
29. The selection panel consisted of the Acting Chair of the Audit Risk and Compliance Committee, Councillor Kok, the Director Legal and Governance, and the Manager Financial Planning and Reporting. It is noted that the selection panel held five interviews on 21 August 2024.
30. It is recommended that Council appoint Rosemary Milkins and Robert Lagiada to the Audit Risk and Compliance Committee for a period of four years, commencing 1 December 2024 in accordance with the new Audit Risk and Compliance Committee Terms of Reference. The selection panel confirms that the recommended appointees are eligible in accordance with the requirements of s 216E of the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023, and that the recommended appointees are independent of Council in accordance with s 216F (including not having had any business dealings with the Council).
31. The CVs of the recommended appointees are provided at Attachment E to the subject report.

Appointment of Councillor member

32. Under the Regulation s 216C Council may appoint one councillor, who must not be the Lord Mayor, to the Audit Risk and Compliance Committee. It is noted that the councillor member of the committee may not vote. The guidelines set out the eligibility criteria for the councillor member of the Audit Risk and Compliance Committee which include:
 - (a) an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest);
 - (b) a good understanding of one or more of the following:
 - (i) risk management
 - (ii) performance management
 - (iii) human resources management
 - (iv) internal and external auditing
 - (v) financial reporting
 - (vi) accounting
 - (vii) management control frameworks
 - (viii) internal financial controls
 - (ix) governance (including planning, reporting and oversight);
 - (c) a capacity to form independent judgments and willingness to constructively challenge/question management practices and information;

- (d) a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of a councillor member of an audit, risk and compliance committee; and
 - (e) preparedness to undertake any training on the operation of audit, risk and compliance committees recommended by the chairperson based on their assessment of the skills, knowledge and experience of the councillor member.
33. The regulation provides that the Lord Mayor cannot be appointed as a councillor member. However, as per the model terms of reference, the Lord Mayor is recommended to attend meetings of the Committee as an observer. The guidelines provide that the term of appointment for councillor members is four years, coinciding with the term of the Council.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

34. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
- (a) Direction 1 - Responsible governance and stewardship - the recommendations outlined in this report will ensure that the Council is compliant with the requirements outlined in the Regulation and the Guidelines, as well as maintaining the strength and independence of the City's Audit, Risk and Compliance Committee.

Organisational Impact

35. The Audit Risk and Compliance Committee has been in place since 2002 and there will be no impact from the adoption of the recommendations in this report.

Risks

36. If the new Audit Risk and Compliance Committee Terms of Reference, Internal Audit Charter and Risk Appetite statement are not adopted by Council our audit committee arrangements and risk management will be non-compliant with the Regulation and the guidelines.

Financial Implications

37. The cost of additional external members appointed to the Audit Risk and Compliance Committee is anticipated to be around \$10,000 for the financial year and can be funded through savings in the Legal and Governance Division budget.

Relevant Legislation

- 38. Local Government Act, 1993 - sections 23A and 428A.
- 39. Local Government (General) Regulation 2021.
- 40. Guidelines for Risk Management and Internal Audit for Local Government in NSW - Office of Local Government (November 2023).

Critical Dates / Time Frames

- 41. Additional external members of the Audit Risk and Compliance Committee are required to be appointed before 30 June 2025, when the appointments of the current chair and one other independent member expire.

KIRSTEN MORRIN

Executive Director Legal and Governance

Barry Munns, Chief Internal Auditor

Attachment A

**Audit Risk and Compliance Committee
(ARCC) Annual Report to Council 2023/24**

2023/24 ARCC Annual Report to Council

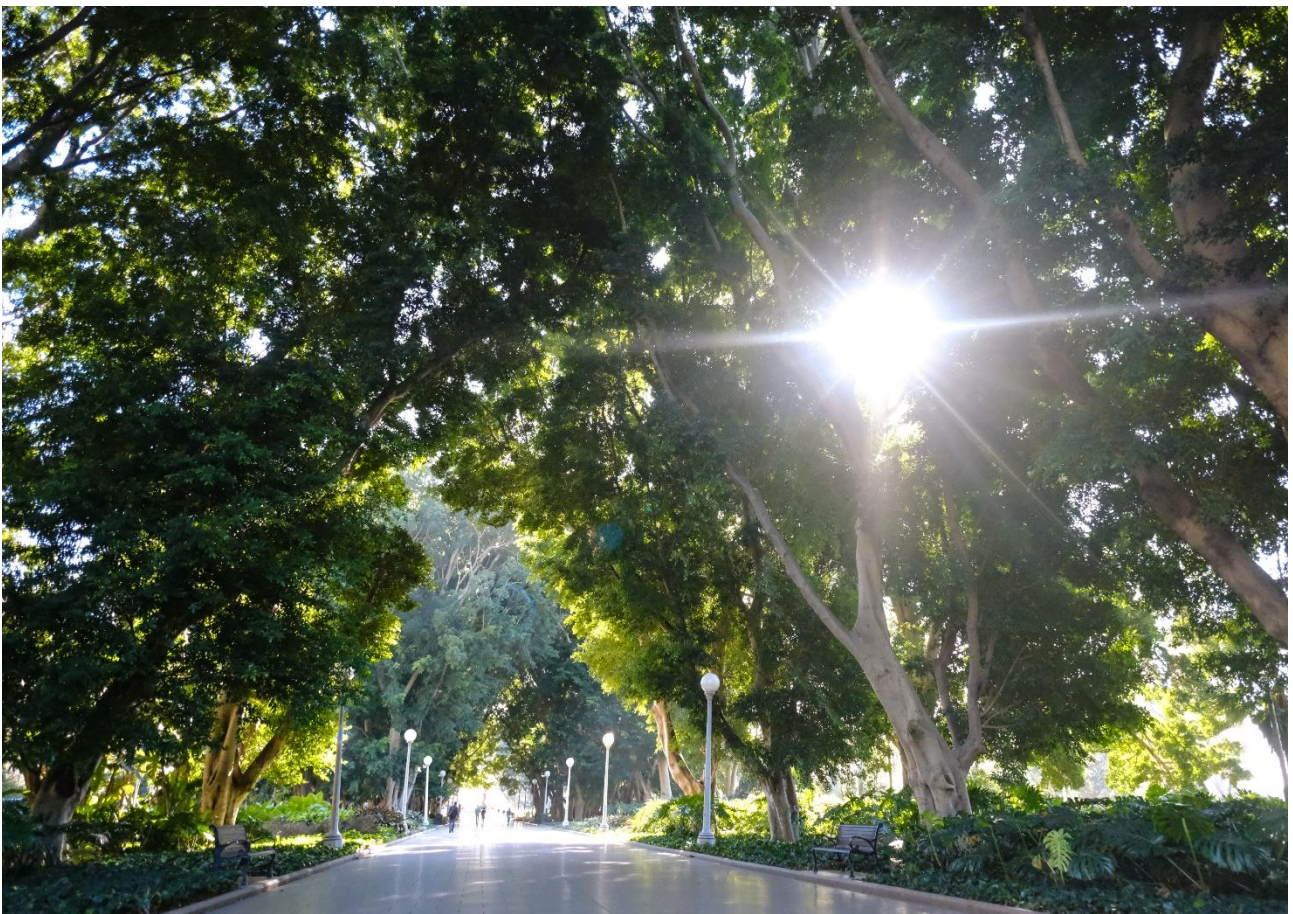


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2023/24 Annual Report to Council

Introduction

The Audit Risk and Compliance Committee (ARCC) provides advice to Council on the integrity of the City's assurance functions, including internal audit, risk management, compliance, and governance.

The ARCC plays an important role in the City of Sydney Council's governance framework. Its primary objectives are to assist Council in discharging responsibilities with respect to:

- financial reporting
- business ethics, policies and practices
- accounting policies
- internal controls
- risk management
- governance
- fraud and corruption prevention
- major legal matters
- work health safety
- regulatory compliance
- alignment with standards and best practice guidelines.

The Committee complies with the Director General's Guidelines for the purposes of section 23A of the Local Government Act 1993 and reports to Council through the Corporate, Finance, Properties and Tenders Committee, in line with the Office of Local Government's (OLG) Guidelines for Risk Management and Internal Audit for Local Government in NSW (December 2023).

In December 2023 the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023 was made.

The new legislation commenced on 01 July 2024. The new requirements in these regulations require further resolution of Council in relation to a new Audit Risk and Compliance Committee Terms of Reference and Internal Audit Charter.

The proposed ARCC Terms of Reference, based on the OLG model Terms of Reference, was endorsed by the ARCC with minor amendments at the Committee meeting held on 20 June 2024.

These Terms of Reference will be tabled at a Council meeting following the NSW local government elections in September 2024.

This report covers the period 01 July 2023 to 30 June 2024.

Membership

In accordance with its current Charter, the Committee comprises two councillors and three independent members, one of whom holds the role of Independent Chair.

The City has a staggered approach to the rotation of ARCC independent members, including the Chairperson, to ensure continuity of knowledge and skills. Each current independent member is pre-qualified on the NSW Treasury Panel for NSW Government Audit and Risk Committees.

Councillor members:

- Lord Mayor Clover Moore
- Councillor Robert Kok (from June 2022)
- Councillor HY William Chan (from December 2021, as the Lord Mayor's alternate).

Independent members:

- Carolyn Walsh (appointed October 2014, reappointed October 2018. Appointed as Independent Chairperson from 01 July 2021 to 30 June 2025)
- Elizabeth Crouch AM (appointed July 2013, reappointed August 2016, Chairperson from October 2014 to 30 June 2021. Reappointed as an Independent Member from 01 June 2021 to 30 June 2025)
- Ken Barker (appointed October 2014, reappointed October 2018 to 30 November 2022, then extended to 30 November 2023)
- Stephen Horne (appointed January 2024 to a four-year term)

Ex-officio attendees include:

- Chief Executive Officer
- Director Legal and Governance
- Chief Financial Officer
- Chief Internal Auditor
- Manager Risk and Governance.

Invitees include:

- Representatives of the Audit Office of New South Wales
- Other officers, as requested by the Committee to present on priority issues.

Recruitment Process for Independent Members

On 26 June 2023, Council endorsed updated position descriptions which reflect the requirements of the (then) draft Guidelines to enable the conduct of an expression of interest process to identify appropriate candidates for new independent members. Authority was delegated to the Chair of the Audit Risk and Compliance Committee in conjunction with the Chief Executive Officer to conduct the expression of interest and recruitment process.

The call for expressions of interest was advertised in mainstream media outlets, the City's website, and through the Institute of Internal Auditors. Applications were open from 25 September 2023 to 8 October 2023. A total of 17 expressions were received.

On 23 October 2023, Council appointed Councillor Robert Kok to participate in the interview process and preparation of recommendations to Council for the appointment of new external members to the Audit, Risk and Compliance Committee. It is noted that the selection panel

consisted of the Chair of the Audit, Risk and Compliance Committee, a Councillor representative (Councillor Rober Kok) and the Chief Financial Officer.

The selection panel recommended that Council appoint Stephen Horne to the Audit Risk and Compliance Committee for a period of four years, commencing 1 January 2024. The selection panel confirmed that the recommended appointee is eligible in accordance with the requirements of s 216E of the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023, and that the recommended appointee is independent of the Council in accordance with s 216F (including not having had any business dealings with the Council).

Meetings and attendance

The Audit Risk and Compliance Committee (ARCC) met five times to consider matters relating to the financial, audit and risk management issues of the City of Sydney.

In 2023/24 the ARCC:

- endorsed the draft ARCC Terms of Reference
- endorsed the draft Internal Audit Charter
- endorsed the draft Risk Appetite Statement
- endorsed the draft Risk Management Policy and Procedure
- endorsed Compliance Obligations Policy
- received regular reports on:
 - workplace health and safety and other compliance-related matters
 - IT security, including incidents and alignment with Essential 8 requirements
 - Improvement and Transformation (an overview of key projects delivering efficiency, effectiveness, and community experience improvement)
 - progress made on the City's Asset Management Improvement Plan
 - Crown and Community Plans of Management Program
- received briefings, updates, demonstrations, or presentations on:
 - a gap analysis of the current Purchase Card Policy and the OLG credit card guidelines against the new draft Purchase Card Policy
 - management of the risk of fires relating to charging of the e-bike fleet
 - major projects update
 - asbestos contaminated mulch updates
 - updates on the implementation of the Modern Slavery and Chain of Responsibility Implementation Plans
 - Office of Local Government's Guidelines on Risk Management and Internal Audit
 - significant legislative and regulatory change updates
 - deep dive briefing on strategic risks(in-camera)
 - annual Procurement and Contracts Management update

- focused internal audit activity in line with the City's risk profile and governance arrangement
- maintained oversight of financial reporting and endorsement of the financial statements including securing relevant attestations from the Chief Financial Officer

During the 2023/24 reporting period, the Committee held two hybrid meetings (October 2023 and March 2024) and three meetings held in person (August, November 2023 and June 2024). A quorum was present for all meetings.

The Committee met *in camera* with representatives of the Audit Office of NSW, prior to the review of the draft financial statements at the October 2023 meeting. No management representatives were present.

Summary: Committee Report Card

ARCC Charter – Roles and Responsibilities	Compliance
Committee composition	Yes
Tenure	Yes
Skills and experience, including financial, legal and/or business expertise	Yes
Induction of new members (for FY2023/24)	Yes
Declarations of Conflict of Interests	Yes
Internal Audit updates, as well as preparation of four year internal audit plan, monitoring recommendations, review Charter annually, provide performance feedback on service providers	Yes
Risk Management, Compliance, and Governance updates, including Fraud and Corruption Prevention	Yes
Financial Management	Yes
External Audit	Yes
Meetings	Yes
Closed sessions	Yes
Minutes and papers (accurate and timely provision)	Yes
Assessment arrangements (annual)	Yes
Reporting to Council (at least annually) – this report	Yes

Internal Audit

The role of Internal Audit is to provide independent assurance to Council's operational areas. It assists Council by evaluating and assessing the effectiveness of risk management, control and governance processes.

The City's Internal Audit unit is led by a chief audit executive (Chief Internal Auditor). Most fieldwork is undertaken through an outsourced model under the control of the Chief Internal Auditor. A panel of two service providers (RSM Australia and O'Connor Marsden & Associates) provided outsourced internal audit services during 2023/24.

For the 2023/24 reporting period, the Chief Internal Auditor tabled at Committee meetings:

- the four-year strategic audit program for the period 2024-2028 and the annual operational audit plan for 2024/25
- regular reports from the Chief Internal Auditor on progress against the plan
- the proposed Internal Audit Charter aligned to the Office of Local Government's model internal audit charter for endorsement and will be tabled for the new Council's approval after the NSW local government elections¹
- received audit reports, as well as updates, from the Chief Internal Auditor on the status of actions taken by management to address high-risk rated findings identified in previous audit reports.

The Chief Internal Auditor meets in-camera with the Chair and Independent Members quarterly without management present.

The Internal Audit Plan, FY2023/24

The 2023/24 operational audit plan was endorsed by the Committee at the 22 June 2023 meeting and comprised 22 reviews. The Committee is satisfied that the internal audit plan is aligned with and responds to the major risks identified in the City's risk profile.

There were 13 reviews tabled (including two reviews from the FY2022/23 plan) during FY2023/24:

- Planning Agreements (FY2022/23 plan)
- Councillors' Expenses Compliance Review 2022 (FY2022/23 plan)
- 2023 Review of the Street Safety Camera Program
- Building Certification Process Review
- Bullying and Harassment Management: Process & Reporting
- Fraud and Corruption Control Maturity Assessment
- Treasury Management Review
- IT Disaster Recovery Plan
- IT Project Management Review
- Work Health Safety Management Review
- Implementation of Single Touch Payroll (STP) Phase 2
- Councillors' Expenses Compliance Review 2023
- 2024 Review of Access to Transport for NSW's DRIVES24.

¹ At the request of the CEO, the June 2023 charter remains in force until after the NSW local government elections in September 2024.

At the end of the financial year, five reviews were in the draft report stage, four reviews were in the fieldwork stage, and two reviews were in the planning/research stage.

The Committee reviewed and endorsed all management actions undertaken to address recommendations arising from audit reports.

Rating scale for internal audit reports

An overall rating scale for each engagement has been set by senior management and the Audit Risk and Compliance Committee as appropriate to allow allocation of resources to the areas of greatest concern.

Outlined below are the ratings and their definitions:

Overall Rating Scale for Reviews	Definition
Unsatisfactory	Numerous very high and/or high-risk issues
Requiring improvement	A small number of very high- or high-risk issues and/or many medium risk issues
Satisfactory	Only isolated instances of high issues and/or a small number of medium risk issues
Low	Only isolated instances of low to medium risk issues
Not Rated	Applies to focused reviews where a rating may not be representative of the overall control environment. High-level or specific reviews where only a small section of an area/process is examined, and investigation outcomes are not rated.

Internal Audits tabled, 2023/24

For FY2023/24 there were two audits tabled for which high-risk issues were identified.

Meeting 1 - August 2023

Review Name	Objectives and Outcomes	Overall Rating
Planning Agreements Review	<p>The focus of the engagement was to:</p> <ul style="list-style-type: none"> Understand whether systems, resources and controls address obligations under legislation and policies Understand any changes to legislation, processes, procedures, systems and resources since the review occurred to assess the impact these have on the PA process and associated risks Test compliance against policy and procedural documentation Validate and confirm the design, and operating, effectiveness of these key controls, and Identify opportunities to further enhance the PA process. <p>All management actions have been completed.</p>	Low
Councillors' Expenses Compliance Review 2022	<p>This review assessed the extent of compliance over the payment of expenses and the provision of facilities to Councillors as governed by the City's Councillors' Expenses and Facilities Policy. The review also paid due regard to requirements of Sections 252 to 254 of the Act and the supporting regulations and guidelines.</p> <p>All management actions have been completed.</p>	Satisfactory
2023 Review of Street Safety Camera Program (SSCP)	<p>Internal Audit is required to undertake an annual compliance review of the City's Street Safety Camera Program, per sections 11.3.1 and 19.2.1 of the Street Safety Camera Program's Code of Practice. Compliance with the key principles of the City's Street Safety Camera Program's Code of Practice: (1) compliance with policies and procedures; (2) performance reporting; and (3) risk management were assessed.</p> <p>All management actions have been completed.</p>	Low

Meeting 2 – October 2023 (review of draft financial statements only – no audit reports tabled)

2023/24 ARCC Annual Report to Council

Meeting 3 – November 2023

Review Name	Objectives and Outcomes	Overall Rating
Bullying and Harassment Management: Process & Reporting	To evaluate the effectiveness of the reporting process and record-keeping in relation to the Bullying and Harassment Policy. All management actions have been completed.	Requiring improvement
Building Certification Process Review	To review the City's processes and controls to ensure compliance with responsibilities and obligations specified in the Building & Development Certifiers Act 1028 (Section 37 – Responsibilities of individuals acting on behalf of Registered Body Corporate or Council) and Roads Act and Local Government Act to ensure that risks to the public and organisation are minimal regarding the construction hoardings. All management actions have been completed.	Low
Fraud and Corruption Control Maturity Assessment	To understand and assess the current capability maturity of the City's fraud and corruption control framework. Except for one improvement opportunity due by 31 December 2025, all management actions have been completed.	Maturity level rating: Medium to High (a good rating)
Treasury Management Review	To review the adequacy of the City's process and controls relating to treasury management, including liquidity and the mitigation of operational, financial, and reputational risk. All management actions have been completed.	Low

Meeting 4 – March 2024

Review Name	Objectives and Outcomes	Overall Rating
Information Technology Disaster Recovery Plan (ITDRP) Review	To review the adequacy of existing IT disaster recovery framework and assess alignment with better practices. All management actions have been completed.	Satisfactory

Meeting 5 – June 2024

Review Name	Objectives and Outcomes	Overall Rating
IT Project Management Review	<p>To review the design and operating effectiveness of the City's IT Project Management methodology and control environment.</p> <p>Three management actions are in progress.</p>	Low
Work Health Safety Management Review	<p>To review if the WHS management system meets the City's due diligence obligations under the Work Health and Safety Act 2011 (including the SafeWork NSW Code of Practice: Managing psychosocial hazards at work); that processes are operating effectively to gain assurance that the agreed remediation actions associated with notifiable incidents are completed in a timely manner, and to the extent required by the City; shared duties between the City and key contractors are clearly defined and there are appropriate processes to ensure compliance; and documentation is in place to manage and ensure worker safety and compliance to key requirements of legislation.</p> <p>All management actions in progress.</p>	Low
Implementation of Single Touch Payroll (STP) Phase 2	<p>To assess that the payroll system framework was appropriately designed and operating effectively, including assessment that the Single Touch Payroll (STP) Phase 2 implementation was consistent with the requirements of the ATO with specific focus on the application of categories and pay codes.</p> <p>No issues for management to address.</p>	Low
Councillors' Expenses Compliance Review 2023	<p>This review assessed the extent of compliance over the payment of expenses and the provision of facilities to Councillors as governed by the City's Councillors' Expenses and Facilities Policy. The review also paid due regard to requirements of Sections 252 to 254 of the Act and the supporting regulations and guidelines.</p> <p>All management actions have been completed.</p>	Low
2024 Review of Access to Transport for NNSW's DRIVES24	<p>Requirements of the Terms of Access Agreement include an annual audit of access and security, and to provide TfNSW with a compliance certificate signed by the CEO and Chief Internal Auditor.</p> <p>There were no recommendations or improvement opportunities arising from this review. Based on the attestation by the Chief Internal Auditor, a Compliance Audit Certificate declaration was issued to TfNSW, signed by the CEO.</p>	Not Rated

Monitoring internal audit recommendations

There are processes in place to monitor management actions arising from audit recommendations and make sure the recommendations are being actioned. The processes include:

- ensuring each Director is accountable for monitoring the status of outstanding issues for their respective Divisions including reporting completion details to Internal Audit throughout the year
- regular internal audit status reporting to the Executive to assist in monitoring progress of outstanding audit actions
- reporting overdue management action items to monitor implementation and providing follow-ups at each Committee meeting.

The Committee receives regular reports on the appropriateness of the management actions taken on high-rated, closed action items through follow-up reviews and new audits.

Management of internal audit actions/recommendations

The Internal Audit unit actively monitors the status of outstanding action items to ensure timely closure of relevant items. There were no overdue high or medium actions overdue as at 30 June 2024.

The table below summarises the management of internal audit actions/recommendations at the end of each financial year. These actions are assigned to a business unit to be actioned by an agreed date.

Year	Outstanding Actions at Start of Year	New Actions from Audits	Actions closed	Current Actions at Year End	Actions Overdue ²
30/06/2021	47	50	78	19	6
30/06/2022	19	15	16	18	0
30/06/2023	18	21	33	6	0
30/06/2024	6	28	26	8	0

Forward Audit Plan, 2024/25

The updated four-year Strategic Internal Audit Program, incorporating the annual operational audit plan, was endorsed by the Executive and approved by the Audit Risk and Compliance Committee on 20 June 2024.

The approved plan for 2024/25 comprises a risk-based program of 15 reviews mapped to the City's Executive Risks, as well as Improvement Focus Areas. In addition to the reviews, the plan includes an assurance mapping project, the Internal Audit unit's improvement project, and the annual confirmation to ARCC of the independence of internal audit activities from the City (as required by the Internal Audit Charter).

² Actions not completed by agreed date.

The Audit Program provides assurance coverage of key business performance themes i.e., expenditure, revenue, business performance, resilience, compliance, fraud and corruption control, environment, and attestation requirements.

Quality Assurance Review

A quality assurance review was performed by the Institute of Internal Auditors (IIA) during the financial year. The City's Internal Audit unit is now certified as being in conformance with the IIA's standards. While the certification will remain in effect until 2029, it will be renewed in approximately 2028 (end of term for the council).

The final results and opportunities for continuous improvement in the functioning of the ARCC is to be discussed at an ARCC workshop in November 2024.

External Audit

The City's external auditor is the Audit Office of New South Wales.

The external auditor provides independent audit opinions on both the general and special purpose financial reports of Council. They are also required to audit the statutory returns relating to a number of the City's activities.

The Chief Internal Auditor meets with representatives of the external auditor periodically to provide insights on the control environment and to minimise overlap of audit areas of focus.

The external auditor is invited to attend each ARCC meeting as well as join the Committee on site visits as appropriate.

During the 2023/24 financial year, the ARCC:

- considered the program and status reports covering the preparation of the previous financial year (2022/23)
 - received and noted the external auditor's letter covering the final audit for 2022/23
 - considered and endorsed the 2022/23 General and Special Purpose Financial Reports prior to Council's authorisation
 - reviewed Directors' attestations
 - reviewed the external audit plan for 2023/24.
-

Risk management, compliance and governance

For the 2023/24 reporting period the ARCC received presentations and updates on:

- The City's delegations review
- Data breaches
- Code of conduct refresher training for all staff
- A suite of updated governance risk and compliance policies
- Instances of non-compliance
- Implementation of legislation and regulatory changes

- Local child safety risk management plans
- Implementation of modern slavery requirements
- Chain of responsibility improvements
- A deep dive into how risk is managed at the City of Sydney
- Regular updates on Executive level risks
- The City's risk appetite statement
- Risk management KPIs
- A review of the City's risk management matrix
- The City's insurance program
- Third party claims
- Implementation of the OLG Risk Management requirements

Fraud and corruption prevention

For the 2023/24 reporting period the ARCC received updates on:

- Implementation of the annual fraud and corruption action plan
- Implementation of the new Public Interest Disclosures Act 2022
- Staff training aimed at fraud and corruption prevention
- Internal investigations
- Business unit fraud and corruption control plans

Two public interest disclosures were received during this period. One related to concerns about the probity of a procurement process was found to be unsubstantiated. The second matter related to allegations of, in particular, favourable treatment and deliberate failure to follow Council policies. This investigation was ongoing at the end of this reporting period but has subsequently been closed and the matter found to be unsubstantiated.

Legal

For the 2023/24 reporting period the ARCC received:

- updates on major legal matters
- briefings on any material litigation affecting the City.

Workplace health and safety

On a quarterly basis, the Committee reviews workplace health and safety updates, including injuries, notifiable incidents, and workers compensation claims.

Other

The Chief Internal Auditor has confirmed the independence of internal audit activities from the City as required by the ARCC-endorsed Internal Audit Charter.

The Committee assesses the currency of the Internal Audit Charter and evaluates the performance of the Internal Audit unit.

The Committee assesses the currency of its Charter and evaluates its performance annually.

The ARCC is satisfied that the City has:

- appropriate mechanisms in place to review and implement relevant State Government reports and recommendations related to local government; and
- developed a performance management framework linked to organisational objectives and outcomes.

CAROLYN WALSH

Chair, Audit Risk and Compliance Committee

October 2024

Attachment B

**Audit Risk and Compliance Committee –
Strategic Work Plan 2024 – 2028**

ARCC Strategic Work Plan



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Introduction

Background

The City of Sydney (Council) has established an Audit Risk and Compliance Committee in compliance with section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

Objective

The objective of Council's Audit Risk and Compliance Committee (ARCC) is to provide independent assurance to Council by monitoring, reviewing, and providing advice about Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Purpose

The strategic work plan has been developed to ensure the ARCC meets its legislative obligations under section 428A of the *Local Government Act 1993* (the Act). The strategic and annual work plans are subject to change and can be amended as required to respond to emerging areas of concern to the Committee.

The **meeting planner section** sets out a rolling program for the Committee for the following four years.

Committee responsibilities

The Committee plays a key role in assisting Council to fulfil its corporate governance and oversight responsibilities by reviewing and providing independent advice to Council regarding the following aspects of Council's operations as required under section 428A of the Act, and those specifically requested by the ARCC:

- internal audit
- risk management
- compliance
- governance
- fraud control
- legal issues
- safety issues
- IT security
- improvement and transformation (service reviews)
- financial management

ARCC Strategic Work Plan

- implementation of the strategic plan, delivery program, and strategies
- collection of performance measurement data by Council.

ARCC meetings

The Committee meets at least four (4) times per year with one (1) additional special meeting to review the Council's financial statements.

The meetings are scheduled to ensure the Committee can adequately address its responsibilities as set out in the **committee responsibilities section above**.

Strategic work plan

The strategic work plan sets out the rolling four-year program to ensure coverage of the Committee's responsibilities. This is detailed in the **meeting planner section** which outlines:

Item	Description
Standard agenda items	Items that should be examined at every (or most) Committee meetings
Special agenda items	Items that can generally be spread over a year and examined once per year
Special meetings	Items required for review at the end-of-year financial statements
Annual reporting requirements	Items required under the Committee charter
End of Council term agenda items	Items required under the Committee charter

The Committee has endorsed the meeting plans below for the next two years.

Meeting planner - Financial statements review meeting, year ending 30 June 2024

Financial Statements meeting, 03 October 2024

In-camera with AONSW/External Auditors

Agenda Items

- Welcome
- Acknowledgement of Country
- Apologies
- Disclosure of interests
- Confirmation of minutes
- Review of action items
- Finance – Financial Statements
- External Audit – Engagement Closing Report
- Any other business - Review of financial policies that include any major changes (as required)
- Internal Audit update (including feedback results)
- Risk and Governance update
- Other Committee Business (ARCC Annual Report to Council)

Meeting planner, 2024/25 - by financial year, schedule of ordinary meetings

05 November 2024*	12 December 2024	27 March 2025	22 May 2025
<p>Agenda Items</p> <ul style="list-style-type: none"> - Welcome - Acknowledgement of Country - Apologies - Disclosure of interests - Confirmation of minutes - Internal audit update - Risk, Compliance, and Governance, update - Other Committee Business - <p>Special Agenda Items</p> <ul style="list-style-type: none"> - ARCC workshop: New regulations, charter, and IIA QAR <p>- In-camera session following meeting</p> <p>* Replaces Q1 ordinary meeting (29 August 2024 ordinary meeting – no quorum)</p>	<p>Standard Agenda Items (Note: FY2023/24 - Q4 and FY2024/25 -Q1 updates as necessary)</p> <ul style="list-style-type: none"> - Welcome - Acknowledgement of Country - Apologies - Disclosure of interests - Confirmation of minutes - Review of action items - Internal audit - Risk, Compliance, and Governance, including an update on Modern Slavery RSG implementation - Legal - Safety - IT security - Finance - External audit <ul style="list-style-type: none"> o Final engagement closing report - Other Committee Business <ul style="list-style-type: none"> <i>Quarterly operating and capital works management accounts update</i> <i>Quarterly progress report, Asset Management Improvement Plan</i> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - Verification of high-rated recommendations deemed completed by management - Update on the Generic Plans of Management Program (GPoM) - Annual ARCC self-assessment - Annual Major Projects presentation - Improvement and Transformation Report (service reviews) 	<p>Standard Agenda Items (Refer December 2024 meeting)</p> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - ARCC Charter review - Management Letter on the Audit for the Year Ended 30 June 2024 - Annual Procurement and Contract Management update <p>In-camera session following meeting</p>	<p>Standard Agenda Items (Refer December 2024 meeting)</p> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - Verification of high-rated recommendations deemed completed by management - Internal Audit Charter review - Proposed four-year internal audit plan - Improvement and Transformation report (service reviews) - Update on the preparation of the general purpose financial report (memo, attachments, letter of engagement) <p>In-camera session following meeting (TBC)</p>

Meeting planner - by financial year, 2025/26 ordinary meetings

Meeting – Q1 (July – Sept 2025)	Meeting – Q2 (Oct – Dec 2025)	Meeting - Q3 (Jan – Mar 2026)	Meeting - Q4 (Apr – June 2026)
<p>Standard Agenda Items</p> <ul style="list-style-type: none"> - Welcome - Acknowledgement of Country - Apologies - Disclosure of interests - Confirmation of minutes - Review of action items - Internal audit - Risk, Compliance, and Governance, including an update on Modern Slavery RSG implementation - Legal - Safety - IT security - Finance - External audit - Other Committee Business <ul style="list-style-type: none"> <i>Quarterly operating and capital works management accounts update</i> <i>Quarterly progress report, Asset Management Improvement Plan</i> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - Results of internal audit feedback - Update on the Generic Plans of Management Program (GPoM) - Annual ARCC self-assessment - Annual report from ARCC to Council - Annual Major Projects presentation <p>In-camera session following meeting (TBC)</p>	<p>Standard Agenda Items (Refer Meeting 1)</p> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - Verification of high-rated recommendations deemed completed by management - Improvement and Transformation Report (service reviews) - Final engagement closing report <p>In-camera session following meeting (TBC)</p>	<p>Standard Agenda Items (Refer Meeting 1)</p> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - ARCC Charter review - Management Letter on the Audit for the Year Ended 30 June 2024 - Annual Procurement and Contract Management update <p>In-camera session following meeting (TBC)</p>	<p>Standard Agenda Items (Refer Meeting 1)</p> <p>Special Agenda Items</p> <ul style="list-style-type: none"> - Verification of high-rated recommendations deemed completed by management - Internal Audit Charter review - Proposed four-year internal audit plan - Improvement and Transformation report (service reviews) - Update on the preparation of the general purpose financial report (memo, attachments, letter of engagement) <p>In-camera session following meeting (TBC)</p>

Meeting planner - Financial statements review meeting, year ending 30 June 2025

Financial Statements meeting (Date TBC October 2025)

In-camera with AONSW/External Auditors

Agenda Items

- Welcome
- Acknowledgement of Country
- Apologies
- Disclosure of interests
- Confirmation of minutes
- Review of action items
- Finance and External Audit – Financial Statements
- Any other business - Review of financial policies that include any major changes (as required)

Annual Reports

Audit and Risk Committee

Annual Report to Council

Chief Executive Officer

Annual attestations (from 2024-25)

- Audit Risk and Improvement Committee, including any non-compliances
- Risk Management
- Internal Audit

End of Council Term Reports

Audit and Risk Committee

- Comprehensive **independent** assessment of all the matters listed in section 428A of the Local Government Act that have been reviewed during the council term.
- Review of the effectiveness of the ARCC in conformance with the International Professional Practice Framework.

Internal Audit Assessment

Quality Assessment Review - Internal Audit unit

Quality Assessment Review - Internal Audit Independent external assessments performed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The last QAR was conducted in 2023/24.

Checklist of requirements for end of Council term reporting

The checklist of requirements for end of Council term reporting aligns to Schedule 1 of the Committee Charter to assist the Committee to meet its responsibilities under section 48A of the Local Government Act:

ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<p>Risk Management (Schedule 1, p 92)</p> <p><i>Review and advise Council:</i></p> <ul style="list-style-type: none"> • if Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard • whether the Council is providing the resources necessary to successfully implement its risk management framework • whether Council's risk management framework is adequate and effective for identifying and managing the risks Council faces, including those associated with individual projects, programs and other activities • if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting • of the adequacy of risk reports and documentation, for example, Council's risk register and risk profile • whether a sound approach has been followed in developing risk management plans for major projects or undertakings • whether appropriate policies and procedures are in place for the management and exercise of delegations • if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour • if there is a positive risk culture within Council and strong leadership that supports effective risk management • of the adequacy of staff training and induction in risk management • how Council's risk management approach impacts on Council's insurance arrangements • of the effectiveness of Council's management of its assets, and • of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans. 		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		

ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<p>Financial Management (Schedule 2, p 93)</p> <p><i>Review and advise Council:</i></p> <ul style="list-style-type: none"> • <i>if Council is complying with accounting standards and external accountability requirements</i> • <i>of the appropriateness of Council's accounting policies and disclosures</i> • <i>of the implications for Council of the findings of external audits and performance audits and Council's responses and implementation of recommendations</i> • <i>whether Council's financial statement preparation procedures and timelines are sound</i> • <i>the accuracy of Council's annual financial statements prior to external audit, including:</i> <ul style="list-style-type: none"> a) <i>management compliance/representations</i> b) <i>significant accounting and reporting issues</i> c) <i>the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements</i> d) <i>appropriate management signoff on the statements</i> • <i>if effective processes are in place to ensure financial information included in Council's annual report is consistent with signed financial statements</i> • <i>if Council's financial management processes are adequate</i> • <i>the adequacy of cash management policies and procedures</i> • <i>if there are adequate controls over financial processes, for example:</i> <ul style="list-style-type: none"> a) <i>appropriate authorisation and approval of payments and transactions</i> b) <i>adequate segregation of duties</i> c) <i>timely reconciliation of accounts and balances</i> d) <i>review of unusual and high value purchases</i> • <i>if policies and procedures for management review and consideration of the financial position and performance of Council are adequate</i> • <i>if Council's grants and tied funding policies and procedures are sound.</i> 				
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
	Annual			

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ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<p>External Audit (Schedule 1, p 91)</p> <ul style="list-style-type: none"> Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided. Review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of external audit recommendations. Provide advice to the Council and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides. 		Annual		
		Annual		
		Annual		
		Annual		
<p>Corporate Governance (Schedule 1, pp 93-94)</p> <p>Compliance (Schedule 1, p 93)</p> <p>Review and advise Council of the adequacy and effectiveness of Council's compliance framework, including:</p> <ul style="list-style-type: none"> if Council has appropriately considered legal and compliance risks as part of Council's risk management framework how Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and whether appropriate processes are in place to assess compliance. <p>Fraud and corruption prevention (Schedule 1, p 93)</p> <p>Review and advise the Council of the adequacy and effectiveness of Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.</p> <p>Governance (Schedule 1, p 94)</p> <p>Review and advise Council regarding its governance framework, including Council's:</p> <ul style="list-style-type: none"> decision-making processes implementation of governance policies and procedures 		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		

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ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<ul style="list-style-type: none"> • <i>reporting lines and accountability</i> • <i>assignment of key roles and responsibilities</i> • <i>Committee structure</i> • <i>management oversight responsibilities</i> • <i>human resources and performance management activities</i> • <i>reporting and communication activities</i> • <i>information and communications technology (ICT) governance, and</i> • <i>management and governance of the use of data, information and knowledge.</i> 		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
<p>Improvement (Schedule 1, p 94)</p> <p>Strategic planning</p> <p><i>Review and advise:</i></p> <ul style="list-style-type: none"> • <i>of the adequacy and effectiveness of council's integrated planning and reporting (IP&R) processes</i> • <i>if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and</i> • <i>whether council is successfully implementing and achieving its IP&R objectives and strategies.</i> 				
		Annual		
		Annual		
		Annual		

ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<p>Service reviews and business improvement</p> <p><i>Review and advise:</i></p> <ul style="list-style-type: none"> if council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and how council can improve its service delivery and the council's performance of its business and functions generally <p>Performance data and measurement</p> <p><i>Review and advise:</i></p> <ul style="list-style-type: none"> if council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives if the performance indicators council uses are effective, and of the adequacy of performance data collection and reporting. 				
		Twice per year		
		Annual		
		Annual		
		Annual		
	<p>Internal Audit and Controls (Schedule 1, pp 91 – 92)</p> <p>Internal Audit</p> <p><i>Review and advise the Council:</i></p> <ul style="list-style-type: none"> on whether Council is providing the resources necessary to successfully deliver the internal audit function if Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework and OLG requirements 			
		Annual		
		Annual		

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ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<ul style="list-style-type: none"> • if Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable • of the strategic four-year work plan and annual work plan of internal audits to be undertaken by Council's internal audit function • if Council's internal audit activities are effective, including the performance of the internal auditor and the internal audit function • of the findings and recommendations of internal audits conducted, and agreed audit actions needed to address issues raised • of the implementation by the Council of these agreed audit actions • if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities 		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
		Annual		
<p>Internal controls</p> <p>Review and advise Council:</p>				
<ul style="list-style-type: none"> • whether Council's approach to maintaining an effective internal controls framework, including over external parties such as contractors and advisors, is sound and effective 		Annual		
<ul style="list-style-type: none"> • whether Council has in place relevant policies and procedures and that these are periodically reviewed and updated 		Annual		
<ul style="list-style-type: none"> • whether appropriate policies and procedures are in place for the management and exercise of delegations 		Annual		
<ul style="list-style-type: none"> • whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with 		Annual		
<ul style="list-style-type: none"> • if Council's monitoring and review of controls is sufficient, and 		Annual		
<ul style="list-style-type: none"> • if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately. 		Annual		

ARCC Strategic Work Plan

ARCC Responsibility	Y/N	Frequency	Evidence (name of activity undertaken)	Date tabled
<p>Audit and Risk Committee Administration</p> <ul style="list-style-type: none"> The ARCC Charter must be reviewed annually by the Committee and once each Council term by the governing body. The Chair will initiate a review of the Committee’s performance annually. The Committee will provide an annual assessment to the governing body and the Chief Executive Officer on the Committee’s work and its opinion on how Council is performing. The Chair shall make an annual presentation to Council, preferably when Council considers the Committee’s annual report. A report on Committee operations, including Members’ attendance, will be included in Committee’s annual report. The Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate and takes into account Council’s emerging risks. The Committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year. 				
		Annual		
		Every four years		
		Annual		
		Annual		

Four-year Internal Audit strategic work plan

Year 1	Audit topic
2024/25	Purchase Cards (including credit cards, Cabcharge)
2024/25	Recruitment
2024/25	Fire Regulatory Function
2024/25	Emergency Management of Facilities
2024/25	Business Continuity Plan Management
2024/25	Project Governance Management
2024/25	Trirega Application Review
2024/25	Compliance Management
2024/25	Management of Records for WHS Training (health check)
2024/25	Contract Management (review of a specific contract)
2024/25	Materials Storage
2024/25	Cyber Security - Protect: Change Management – access/privilege management, configuration and patch management, backup, and cyber security training and awareness
2024/25	Street Safety Camera Program Biennial Review 2025
2024/25	Councillors' Expenses 2025
2024/25	DRIVES24 2025
2024/25	Assurance Mapping Project

Year 2	Audit topic
2025/26	Procurement - High value
2025/26	Sponsorship (inwards)
2025/26	DA Contributions (including post-Business & Service Improvement project completed and expenditure of dedicated amounts)
2025/26	Facilities Management
2025/26	Insurance Claims Management
2025/26	Risk Management
2025/26	Psychosocial WHS
2025/26	HRMS Timekeeping / Rostering (including staff being correctly paid to relevant awards and Kronos application review)
2025/26	Information Technology: Digital Strategy
2025/26	Program and Service Delivery
2025/26	Contract Management
2025/26	Chain of Responsibility legislation requirements (Heavy Vehicle legislation)
2025/26	Cyber Security (Govern and Identify – Cyber Security Strategy and Risk Management.
2025/26	Privacy Management
2025/26	Court Processing (City Rangers) – internal processes for preparation for court on notification, including preparation of briefs and statements
2025/26	Councillors' Expenses 2026
2025/26	DRIVES24 2026
2025/26	Assurance Mapping Project

ARCC Strategic Work Plan

Year 3	Audit topic
2026/27	Procurement – Procurement instruments
2026/27	Accounts Receivable - incorporating the application review (TechnologyOne)
2026/27	Integrated Planning & Reporting
2026/27	Planning Agreements
2026/27	Delegations Framework
2026/27	Payroll Processing (including application review)
2026/27	Cyber Security - Detect, Respond, and Recover
2026/27	Contract Management System
2026/27	Grants Administration – (outwards)
2026/27	Fleet Management
2026/27	Property Debt Recovery (rentals)
2026/27	Psychosocial WHS
2026/27	GIPA Compliance
2026/27	Street Safety Camera Program Biennial Review 2027
2026/27	Councillors' Expenses 2027
2026/27	DRIVES24 2027
2026/27	Assurance Mapping Project

Year 4	Audit topic
2027/28	Procurement – Low value
2026/27	Child Protection
2026/27	Venue Management (incorporating application review)
2026/27	Waste Services
2026/27	Program and Service Delivery
2026/27	Bullying and Harassment Management
2026/27	Treasury Management (incorporating application review)
2026/27	IT Project Management
2026/27	Payroll
2026/27	Fraud and Corruption Prevention Framework
2026/27	ePlanning (application review – interface with platform and NSW Planning portal)
2026/27	Records Management
2026/27	Accounts Payable (incorporating the Technology One application review)
2026/27	Cyber Security - Protect: Change Management – access/privilege management, configuration and patch management, backup, and cyber security training and awareness
2026/27	Councillors' Expenses 2028
2026/27	DRIVES24 2028
2026/27	Assurance Mapping Project

Attachment C

**Audit Risk and Compliance Committee –
Terms of Reference**

Audit Risk and Compliance Committee Terms of Reference

The City of Sydney Council has established an audit, risk and improvement committee (referred to as the Audit Risk and Compliance Committee or the ARCC) in compliance with section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 and the Office of Local Government's Guidelines for risk management and Internal Audit for local government in NSW. These terms of reference set out the ARCC's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of Council's audit, risk and improvement committee (ARCC) is to provide independent assurance to the Council by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The ARCC is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide the Council with robust, objective and unbiased advice and assurance.

The ARCC is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The ARCC will provide independent advice to the Council that is informed by the Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The ARCC must always ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the governing body and the Chief Executive Officer on matters affecting the performance of the internal audit function.

Authority

The Council authorises the ARCC, for the purposes of exercising its responsibilities, to:

- access any information it needs from the Council
- use any Council resources it needs
- have direct and unrestricted access to the Chief Executive Officer and senior management of the Council
- seek the Chief Executive Officer's permission to meet with any other City of Sydney staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at ARCC meetings, and

- obtain external legal or other professional advice in line with Council's procurement policies and prior approval of the expenditure by the Chief Executive Officer.

Information and documents pertaining to the ARCC are confidential and are not to be made publicly available. The ARCC may only release the Council's information to external parties that are assisting the ARCC to fulfil its responsibilities with the approval of the Chief Executive Officer, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Composition and tenure

The ARCC consists of an independent chairperson and at least two independent members who have voting rights and one non-voting councillor (which cannot be the Lord Mayor), as required under the Local Government (General) Regulation 2021. Council may, at its discretion and in consultation with the ARCC chair, appoint up to four independent (voting) members to the ARCC (making a total of five external members, including the chairperson).

The Council is to appoint the chairperson and members of the ARCC. Current committee members are listed on the City's website.

All ARCC members must meet the independence and eligibility criteria prescribed under the Local Government (General) Regulation 2021.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chairperson of the ARCC. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the ARCC before being appointed again. To preserve the ARCC's knowledge of the Council, ideally, no more than one member should retire from the ARCC because of rotation in any one year.

The terms and conditions of each member's appointment to the ARCC are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the Council is to undertake an assessment of the chairperson's or committee member's performance. Reappointment of the chairperson or a ARCC member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the Local Government (General) Regulation 2021.

Members of the ARCC must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Council, the environment in which the Council operates, and the contribution that the ARCC makes to the Council. At least one member of the ARCC must have accounting or related financial management experience with an understanding of accounting and auditing standards in a government environment. All members should have sufficient understanding of the Council

financial reporting responsibilities to be able to contribute to the ARCC's consideration of the Council annual financial statements.

Role

As required under section 428A of the Local Government Act 1993 (the Act), the role of the ARCC is to review and provide independent advice to the Council regarding the following aspects of Council operations:

- 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
- internal audit.

The ARCC must also provide information to the Council for the purpose of improving the Council's performance of its functions.

The ARCC's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these terms of reference.

The ARCC will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The ARCC has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The ARCC is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the ARCC must, at all times, recognise that primary responsibility for management of the Council rests with the governing body and the Chief Executive Officer.

The responsibilities of the ARCC may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of members

Independent members

The chairperson and members of the ARCC are expected to understand and observe the requirements of the Office of Local Government's Guidelines for risk management and Internal Audit for local government in NSW. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- contribute the time needed to review and understand information provided to it

- apply good analytical skills, objectivity and judgement
- act in the best interests of the Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the Council
- have strong leadership qualities (chairperson)
- lead effective ARCC meetings (chairperson), and
- oversee the Council Internal Audit function (chairperson).

Councillor members

To preserve the independence of the ARCC, the councillor member of the ARCC is a non-voting member. Their role is to:

- relay to the ARCC any concerns the governing body may have regarding the Council and issues being considered by the ARCC
- provide insights into local issues and the strategic priorities of the Council that would add value to the ARCC's consideration of agenda items
- advise the governing body (as necessary) of the work of the ARCC and any issues arising from it, and
- assist the governing body to review the performance of the ARCC.

Additionally, the Chief Executive Officer will invite all Councillors to observe the Audit Risk and Compliance Committee meetings and the Secretariat for the Audit Risk and Compliance Committee will provide meeting agendas and briefing material will also be made available on all Councillor iPads via Diligent Board Books at least one week prior (where possible) to each Audit Risk and Compliance Committee meeting.

Issues or information the councillor member raises with or provides to the ARCC must relate to the matters listed in Schedule 1 and issues being considered by the ARCC.

The councillor member of the ARCC must conduct themselves in a non-partisan and professional manner. The councillor member of the ARCC must not engage in any conduct that seeks to politicise the activities of the ARCC or the internal audit function or that could be seen to do so.

If the councillor member of the ARCC engages in such conduct or in any other conduct that may bring the ARCC and its work into disrepute, the chairperson of the ARCC may recommend to the governing body, that the councillor member be removed from membership of the ARCC. Where the governing body does not agree to the ARCC chair's recommendation, the Council must give reasons for its decision in writing to the chairperson.

Conduct

Independent ARCC members are required to comply with the Council's code of conduct.

Complaints alleging breaches of the Council's code of conduct by an independent ARCC member are to be dealt with in accordance with the Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW. The Chief Executive Officer must consult

with the governing body before taking any disciplinary action against an independent ARCC member in response to a breach of the Council's code of conduct.

Conflicts of interest

Once a year, ARCC members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the ARCC. Independent ARCC members are 'designated persons' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

ARCC members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a ARCC member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from ARCC deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

ARCC members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and AS ISO 31000:2018 Risk Management Guidelines, where applicable.

Work plans

The work of the ARCC is to be thoroughly planned and executed. The ARCC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the ARCC and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The ARCC may, in consultation with the Council, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the ARCC to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the ARCC.

The ARCC must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The ARCC may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the ARCC to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the ARCC.

When considering whether to vary the strategic or annual work plans, the ARCC must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

Assurance reporting

The ARCC must regularly report to the Council to ensure that it is kept informed of matters considered by the ARCC and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.

The ARCC will provide an update to the governing body and the Chief Executive Officer of its activities and opinions after every ARCC meeting.

The ARCC will provide an annual assessment to the governing body and the Chief Executive Officer on the ARCC's work and its opinion on how the Council is performing.

The ARCC will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the Chief Executive Officer.

The ARCC may at any time report to the Council or the Chief Executive Officer on any other matter it deems of sufficient importance to warrant their attention. The Lord Mayor and the chairperson of the ARCC may also meet at any time to discuss issues relating to the work of the ARCC.

Should the governing body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual councillors are not entitled to request or receive information from the ARCC.

Administrative arrangements

Meetings

The ARCC will meet at least four (4) times per year, and additionally will hold a special meeting to review the Council's financial statements.

The ARCC can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a ARCC member, the Chief Executive Officer, or the governing body.

ARCC meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a ARCC member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the chairperson has the casting vote.

The chairperson of the ARCC will decide the agenda for each ARCC meeting. Each ARCC meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the ARCC.

The Lord Mayor, Chief Executive Officer and the Chief Internal Auditor should attend ARCC meetings as non-voting observers. The external auditor (or their representative) is to be invited to each ARCC meeting as an independent observer. The chairperson can request the Chief Financial Officers (CFO), Director Legal & Governance, members of the Executive, any councillors, any employee/contractor of the Council and any subject matter expert to attend ARCC meetings. Where requested to attend a meeting, persons must attend the meeting where

possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chair at any time.

The ARCC can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the ARCC present. Relevant staff may be requested to attend closed meetings by the chairperson.

The ARCC must meet separately with the Chief Internal Auditor and Council's external auditor at least once each year.

Dispute resolution

Members of the ARCC and the Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the ARCC and the Chief Executive Officer or other senior managers, the dispute is to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Secretariat

The Chief Executive Officer will nominate a staff member to provide secretariat support to the ARCC. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the chair at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within 21 days of the meeting to each member.

Resignation and dismissal of members

Where the chairperson or an ARCC member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give at least six (6) months notice to the chair and the governing body prior to their resignation to allow the Council to ensure a smooth transition to a new chairperson or ARCC member.

The governing body can, by resolution, terminate the appointment of the chair or an independent ARCC member before the expiry of their term where that person has:

- breached the Council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a councillor member on the ARCC can be terminated at any time by the governing body by resolution.

References

Laws and Standards
<ul style="list-style-type: none"> Local Government Act, 1993 - Sections 23A and 428A
<ul style="list-style-type: none"> Local Government (General) Regulation 2021
<ul style="list-style-type: none"> Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023
<ul style="list-style-type: none"> Guidelines for Risk Management and Internal Audit Guidelines for Local Government in NSW - Office of Local Government (December 2022)
Policies and Procedures
<ul style="list-style-type: none"> Code of Conduct
<ul style="list-style-type: none"> Fraud and Corruption Control Plan
<ul style="list-style-type: none"> Internal Audit Charter

Review period

At least once every council term, the Council must review or arrange for an external review of the effectiveness of the ARCC.

These terms of reference must be reviewed annually by the ARCC and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Reviewed by chair of the Audit Risk and Compliance Committee.

[signed]

[date]

Reviewed by The City of Sydney Council in accordance with a resolution of the governing body.

[signed]

[date]

[resolution reference]

Next review date: [date]

Further information

For further information on Council’s audit, risk and improvement committee (ARCC), contact the Director Legal and Governance by phone (02) 9265 9333.

Approval

Council approved this policy on [DD MONTH YYYY].

Approval History

Stage	Date	Comment	TRIM Reference
Original	22 June 2023	The City of Sydney Audit Committee has operated since 2002, initially with a terms of reference developed within the City.	2023/413599
Reviewed	01 May 2024	Executive	2024/238333
	28 March 2024	ARCC	2024/364233
		Council	
Commence Review Date	February – May, depending on the scheduling of the ARCC meetings.	The Audit Risk and Compliance Committee will review this policy every year (Owner: Audit Risk and Compliance Committee Chairperson).	
Approval Due Date	May - July each year, depending on the scheduling of ARCC meetings.	The Charter is reviewed annually by the Audit Risk and Compliance Committee. If major changes are recommended, the changes must be approved by Council.	

Responsibility	Role
Author	Chief Internal Auditor
Owner	ARCC Independent Chairperson
Endorser	City of Sydney Executive
Endorser	Audit Risk and Compliance Committee
Approver	City of Sydney Council

Schedule 1 – Audit Risk and Compliance Committee (ARCC) responsibilities

Audit

Internal Audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions, and
- Review and advise the Council:
 - on whether the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Council's Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function
 - if the Council's internal audit activities are effective, including the performance of the internal audit coordinator (Chief Internal Auditor) and the internal audit function
 - of the findings and recommendations of Internal Audits conducted, and corrective actions needed to address issues raised
 - of the implementation by the Council of these corrective actions
 - on the appointment of the internal audit coordinator (Chief Internal Auditor) and external providers
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities; and
 - of the progress on recommendations made in Audit Office of NSW performance audits, as required.

External audit

- Act as a forum for communication between the governing body Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and external audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- Ensure any consultant engaged by the Audit Office of NSW seeks input regarding the impact of performance audits on the Council, where Council has been selected as a sample
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations, and
- Provide advice to the governing body and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides.

Risk

Risk management

Review and advise the Council:

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Council is providing the resources necessary to successfully implement its risk management framework
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council's risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of the Council management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise the Council:

- whether the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the Council's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including:

- if the Council has appropriately considered legal and compliance risks as part of the Council risk management framework
- how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise the Council:

- if the Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Council's accounting policies and disclosures
- of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations
- whether the Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the Council's annual report is consistent with signed financial statements
- if the Council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate
- if the Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise the Council regarding its governance framework, including the Council:

- decision-making processes
- implementation of governance policies and procedures

- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge.

Improvement

Strategic planning

Review and advise the Council:

- of the adequacy and effectiveness of the Council integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the Council is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise the Council:
 - If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the Council can improve its service delivery and the Council performance of its business and functions generally.

Performance data and measurement

Review and advise the Council:

- if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators the Council uses are effective, and
- of the adequacy of performance data collection and reporting.

Attachment D

<h2>Internal Audit Charter</h2>
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Internal Audit Charter

Purpose

The Council of the City of Sydney has established the Internal Audit unit as a key component of the City's governance and assurance framework, in compliance with the *Local Government (General) Regulation 2021* and the Office of Local Government Departmental Chief Executive's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of the Internal Audit unit and has been approved by Council taking into account the advice of the City's Audit Risk and Compliance Committee.

Purpose of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the City's operations. It helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit provides an independent and objective review and advisory service to provide advice to the Council through its Audit Risk and Compliance Committee and the CEO about the council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the council to improve its business performance.

Independence

The City's Internal Audit unit is to be independent of the City so it can provide an unbiased assessment of the City's operations and risk and control activities.

The Internal audit unit reports functionally to the Audit Risk and Compliance Committee on the results of completed audits and, for strategic direction and accountability purposes, and reports administratively to the Director Legal & Governance to facilitate day-to-day operations. Internal audit activities are not subject to direction by the City and the City's management has no role in the exercise of the City's internal audit activities. For abundant clarity, it is noted that staff employed in the internal audit unit are required to comply with all applicable City policies and procedures, including the Code of Conduct, WHS obligations and employment policies.

The Audit Risk and Compliance Committee is responsible for communicating any internal audit issues or information to the governing body. Should the governing body require additional information, a request for the information may be made to the chair by resolution. The chair is only required to provide the information requested by the governing body where the chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual councillors are not entitled to request or receive information from the committee.

The Chief Executive Officer must consult with the chair of the City's Audit Risk and Compliance Committee before appointing or making decisions affecting the employment of the Chief Internal Auditor. If the Chief Internal Auditor is dismissed, the Chief Executive Officer must report the reasons for their dismissal to the governing body.

Where the chair of the City's Audit Risk and Compliance Committee has any concerns about the treatment of the Chief Internal Auditor, or any action taken that may compromise their ability to

undertake their functions independently, they can report their concerns to the Council.

The Chief Internal Auditor is to confirm at least annually to the Audit Risk and Compliance Committee the independence of internal audit activities from the City.

Authority

Council authorises the Internal Audit unit to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Chief Internal Auditor considers necessary for the Internal Audit unit to undertake its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The Chief Internal Auditor and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

All internal audit documentation is to remain the property of the City, including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to the Internal Audit unit are not to be made publicly available. The Internal Audit may only release Council information to external parties that are assisting the Internal Audit unit to undertake its responsibilities with the approval of the Chief Executive Officer, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Role

The Internal Audit unit is to support the City's Audit Risk and Compliance Committee to review and provide independent advice to the City in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of the City and monitoring the implementation of corrective actions.

The Internal Audit unit is to also play an active role in:

- developing and maintaining a culture of accountability and integrity
- facilitating the integration of risk management into day-to-day business activities and processes, and
- promoting a culture of high ethical standards.

The Internal Audit unit has no direct authority or responsibility for the activities it reviews. The Internal Audit unit has no responsibility for developing or implementing procedures to systems and does not prepare records or engage in the City's functions or activities (except in carrying out its own functions).

Chief Internal Auditor

The City's Internal Audit unit is to be led by a member of the City's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Council and to the Audit Risk and Compliance Committee. The Chief Internal Auditor must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Chief Internal Auditor include:

- managing the day-to-day activities of the Internal Audit unit
- managing the City's internal audit budget

- supporting the operation of the City's Audit Risk and Compliance Committee
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the Audit Risk and Compliance Committee
- monitoring the City's implementation of corrective actions that arise from the findings of audits
- implementing the Audit Risk and Compliance Committee annual work plan's four-year Strategic Internal Audit plan
- ensuring the City's internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW* and the Institute of Internal Auditors' professional standards, and
- contract management and oversight of the external internal audit providers.

Internal Audit unit

Members of the Internal Audit unit are responsible to the Chief Internal Auditor. Individuals who perform internal audit activities for the City must have:

- an appropriate level of understanding of the City's culture, systems and processes
- the skills, knowledge and experience necessary to conduct internal audit activities
- effective interpersonal and communication skills to ensure they can engage with City staff effectively and collaboratively, and
- honest, integrity and diligence.

The City has a panel of external third-party providers to undertake many of its internal audit activities. To ensure the independence of the external providers, the Chief Internal Auditor is to ensure the external providers:

- do not conduct any audits on specific operations or areas that they have worked on within the last two years
- is not the same provider conducting the council's external audit
- is not the auditor of any contractors of the City that may be subject to internal audit, and
- can meet the City's obligations under the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

The Chief Internal Auditor must consult with the Audit Risk and Compliance Committee and Chief Executive Officer regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the City.

Performing internal audit activities

The work of the Internal Audit unit is to be thoroughly planned and executed. The City's Audit Risk and Compliance Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and considered by the Internal Audit unit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure that it remains appropriate.

The committee must also develop an annual work plan to guide the work of the internal audit function over the forward year.

All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and Australian Standard ISO

31000:2018 Risk Management.

The Chief Internal Auditor is to provide the findings and recommendations of internal audits to the Audit Risk and Compliance Committee at the end of each audit. Each report is to include a response from the relevant senior manager.

The Chief Internal Auditor is to establish an ongoing monitoring system to follow up the City's progress in implementing corrective actions.

The Chief Executive Officer, in consultation with the Audit Risk and Compliance Committee, is to develop and maintain policies and procedures to guide the operation of the City's Internal Audit unit.

The Chief Internal Auditor is to ensure that the Audit Risk and Compliance Committee is advised at each of the committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made in implementing corrective actions.

Conduct

Internal audit staff must comply with the City's code of conduct. Complaints about breaches of the City's code of conduct by internal audit staff are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The Chief Executive Officer must consult with the City's Audit Risk and Compliance Committee before any disciplinary action is taken against the Chief Internal Auditor in response to a breach of the City's code of conduct.

Internal auditors must also comply with the Code of Ethics for the *Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

Administrative arrangements

Audit Risk and Compliance Committee meetings

The Chief Internal Auditor will attend Audit Risk and Compliance Committee meetings as an independent non-voting observer. The Chief Internal Auditor can be excluded from meetings by the committee at any time.

The Chief Internal Auditor must meet separately with the Audit Risk and Compliance Committee at least once per year.

The Chief Internal Auditor can meet with the chair of the Audit Risk and Compliance Committee at any time, as necessary, between committee meetings.

External Audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.

External audit will have full and free access to all internal audit plans, working papers and reports.

Dispute resolution

The Internal Audit unit should maintain an effective working relationship with the City and the

Audit Risk and Compliance Committee and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Internal Audit unit and the City, the dispute is to be resolved by the Chief Executive Officer and/or the Audit Risk and Compliance Committee. Disputes between the Internal Audit unit and the Audit Risk and Compliance Committee are to be resolved by Council.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive in writing.

Review arrangements

The Council's Audit Risk and Compliance Committee must review the performance of the Internal Audit unit each year and report its findings to Council. A strategic review of the performance of the Internal Audit unit must be conducted each council term that considers the views of an external party with a strong knowledge of internal audit and reported to the Council.

This charter is to be reviewed annually by the committee and once each council term by the Council. Any substantive changes are to be approved by the Council.

Schedule 1 – internal audit function responsibilities

Audit

Internal audit

- Conduct internal audits as directed by the City's Audit Risk and Compliance Committee.
- Implement the City's annual and four-year strategic internal audit work plans.
- Monitor the implementation by the City of corrective actions.
- Assist the City to develop and maintain a culture of accountability and integrity.
- Facilitate the integration of risk management into day-to-day business activities and processes.
- Promote a culture of high ethical standards.

External audit

- Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.
- Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.
- External audit will have full and free access to all internal audit plans, working papers and reports.
- Review all external plans and reports in respect of planned or completed audits and monitor the City's implementation of audit recommendations.

Risk

Risk management

Review and advise:

- if the City has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the City's risk management framework is adequate and effective for identifying and managing the risks the City's faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the City's and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the City's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the City has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the City's and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the City's risk management approach impacts on the City's insurance arrangements
- of the effectiveness of the City's management of its assets, and

of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise:

- whether the City's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- whether the City has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the City's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise of the adequacy and effectiveness of the City's compliance framework, including:

- if the City has appropriately considered legal and compliance risks as part of the City's risk management framework
- how the City manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise of the adequacy and effectiveness of the City's fraud and corruption prevention framework and activities, including whether the City's has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise:

- if the City's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the City are adequate
- if the City's grants and tied funding policies and procedures are sound.

Governance

Review and advise of the adequacy of the City's governance framework, including the City's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge.

Improvement

Strategic planning

Review and advise:

- of the adequacy and effectiveness of the City's integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the City is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

Review and advise:

- if the City has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
- if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
- how the City can improve its service delivery and the City's performance of its business and functions generally

Performance data and measurement

Review and advise:

- if the City has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators the City's uses are effective, and of the adequacy of performance data collection and reporting.

Attachment E

Risk Appetite Statement

DRAFT Risk Appetite Statement

Purpose

This Risk Appetite Statement provides guidance about the amount of risk the City of Sydney (the City) is willing to take in order to achieve our strategic goals, while ensuring the protection of our assets, reputation and the wellbeing of our employees and community.

Scope

This Risk Appetite Statement applies to all people, functions, services and activities.

The elected Council and employees at all levels are responsible for risk management activities within their area and scope of responsibility. This includes understanding and acting within the City’s risk appetite.

Definitions

Term	Meaning
Employees	All City employees including permanent, temporary and casual employees (whether full time or part time) and agency contractors.
Risk Appetite	The amount and type of risk that the City is willing to take in order to meet our strategic objectives. It is a statement or series of statements that describes the City’s attitude towards risk taking.
Risk Tolerance	The levels of risk taking acceptable to achieve a specific objective or manage a category of risk. Risk tolerance represents the practical application of risk appetite and is typically aligned to categories of risk such as Financial, Environmental and Sustainability, Service Delivery, People, Infrastructure, Assets and Property, Reputation and Image and Legal and Compliance.

Our Strategic Goals

Sustainable Sydney 2030-2050: Continuing the Vision sets out our renewed vision for a green, global and connected city.

It expresses our aim for a sustainable future where everyone does their part to respond to the climate emergency and where we are a leader in our region for just and sustainable growth, creativity and innovation. It also envisages a city with a thriving 24-hour economy and opportunities for all, where the social, business, cultural and physical connections in our city help us reach our potential, adapt to change and withstand adversity.

There are 10 strategic directions that set our priorities for action and guide all of the work we do at the City of Sydney:

1. Responsible governance and stewardship
2. A leading environmental performer
3. Public places for all
4. Design excellence and sustainable development
5. A city for walking, cycling and public transport
6. An equitable and inclusive city
7. Resilient and diverse communities
8. A thriving cultural and creative life
9. A transformed and innovative economy
10. Housing for all

Policy Statement

At the City we recognise that risk is an inherent part of our operations and decision-making processes and that risk is intrinsically linked with innovation.

We accept that in order to achieve our strategic vision and objectives that we must accept some risks that are proportionate to the potential reward, especially where growth, transformation and innovation is involved.

Our primary objectives in managing risk are to:

- Protect the wellbeing of our community, employees and stakeholders.
- Safeguard our people, assets, reputation and financial resources.
- Ensure compliance with applicable laws, regulations and standards.
- Enable innovation and growth while balancing potential risks.
- Optimise service delivery and operational efficiency.

Risk Appetite

Risk appetite is the degree of risk we are willing to accept in pursuit of our strategic goals and is characterised by the following principles:

- We are open to taking risks that align with our strategic objectives and are within our capacity to manage effectively.
- We encourage a culture of responsible risk taking to support innovation, excellence and continuous improvement.
- We identify and evaluate emerging risks to ensure timely and appropriate responses.

A balanced approach to risk appetite is needed to achieve these principles. The challenges in achieving this balance are:

- realisation of opportunities and allowing growth, transformation and innovation while avoiding unnecessary negative impacts; and

- avoidance of a risk averse culture which stifles growth, transformation and innovation rather than supporting it through the proper assessment and management of risk.

We categorise our level of risk appetite as follows:

No appetite	Minimal	Cautious	Open
No/ extremely limited appetite	Limited appetite	Moderate appetite	Open/ accepting appetite
The City is averse to being exposed to risk, even where the potential benefits are high	The City will consider limited risk exposure	The City is willing to consider taking risk where effective mitigation can be applied	The City is open to accepting the risk where there are significant benefits

It is acknowledged that from time to time we may intentionally decide to undertake activities that sit outside our usual risk appetite.

Risk Tolerance

The City’s risk tolerance varies depending on the nature of the risk, its potential impact and our capacity to manage it effectively. Our risk tolerance is guided by the following principles:

- we maintain a low tolerance for risks that pose a significant threat to health, safety, wellbeing and the environment.
- we comply with our legal and regulatory requirements.
- we encourage considered risk taking that supports innovation, efficiency and the achievement of our strategic objectives.
- we avoid risks that may result in reputational damage or financial loss beyond our capacity to recover.

Implementation of the Risk Appetite Statement

This Risk Appetite Statement forms the basis of our approach to managing risk in our day-to-day activities. Implementation is supported by our Risk Management Policy and Procedures and other tools and templates.

Councillors and City employees are responsible for managing their risk environment within the scope of their responsibilities.

The City’s Governance Risk and Compliance system houses our corporate risk registers. The City’s work health and safety incident and risk management systems are contained within the Safety Management System.

Risks outside the appetite or agreed tolerance levels should be managed in line with this Risk Appetite Statement, the Risk Management Procedures and should be discussed with the relevant Divisional Director.

Risk Appetite and Tolerance Levels

For risk appetite and tolerance levels of key risk categories see Appendix 1.

Responsibilities

The Elected Council will:

- set the City of Sydney's Risk Appetite in consultation with the Audit Risk and Compliance Committee by adopting a Risk Appetite Statement
- consider Risk Appetite as part of their decision-making process.

The Audit Risk and Compliance Committee (ARCC) will:

- review and provide input to the City's Risk Appetite Statement before it is approved by the Council.
- review and advise on the effectiveness of the City's risk management framework and its implementation.

The Chief Executive Officer will:

- oversee the City's risk management framework, including this Risk Appetite Statement, and ensure it is effectively communicated, implemented and reviewed regularly
- promote and champion a culture that encourages proactive identification and management of risk, including opportunities for innovation.
- assign authority and accountability for risk management at appropriate levels and to appropriate staff and monitor these responsibilities.
- provide an annual attestation that the City's risk management framework complies with Office of Local Government Guidelines.

The Executive will:

- review this Risk Appetite Statement on an annual basis and submit any recommended changes to the Council for approval.
- submit the Risk Appetite Statement to the elected Council at least once every Council term (in the first 12 months of the Council term).

Directors and M3/M4 managers will:

- promote and champion a positive risk culture.
- implement the City's Risk Management Procedures, including this Risk Appetite Statement, in their area of responsibility.
- implement their risk management responsibilities within the Safety Management System.
- encourage the assessment and management of risk in their area of responsibility.
- where appropriate develop written guidance and provide training and development for employees.

Employees will:

- identify and manage risk within the scope of their responsibilities in accordance with the City's risk management framework.
- implement their risk management responsibilities within the Safety Management System.

Consultation

This Risk Appetite Statement has been developed in consultation with the ARCC, Executive and M3 managers.

References

Laws and Standards
<ul style="list-style-type: none"> Local Government Act 1993 (sections 8B and 428A) Local Government (General) Regulation 2021 Work Health and Safety Act 2011
<ul style="list-style-type: none"> Office of Local Government - Guidelines for Risk Management and Internal Audit for Local Government in NSW
Policies and Procedures
<ul style="list-style-type: none"> City of Sydney - Risk Management Policy
<ul style="list-style-type: none"> City of Sydney - Risk Management Procedure
<ul style="list-style-type: none"> City of Sydney – Safety Management System procedures

Review period

This Risk Appetite Statement is reviewed annually or whenever there is a significant change in the City’s operating environment.

Approval Status

The Council approved this Risk Appetite Statement on [DD MONTH YYYY].

Approval History


Stage	Date	Comment	TRIM Reference
Original RAS	(Date, month, year)	Approved by Council	20XX/XXXXXX

Ownership and approval

Responsibility	Role
Author	Manager Risk and Governance
Owner	Director Legal and Governance
Endorser	City of Sydney Executive and ARCC
Approver	City of Sydney Council


Appendix 1 – Risk Appetite and Tolerance Levels

Risk category - Financial

Risk appetite		
<div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: center; margin-right: 20px;">  </div> <div style="text-align: center;"> <h3>Financial</h3> </div> </div>		
Risk appetite statement		
<ul style="list-style-type: none"> The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community. We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses. We prioritise the protection of our financial resources and our long-term financial sustainability. We strive to ensure that our financial decisions are well informed, based on sound financial analysis and are aligned with our strategic objectives. We acknowledge that some financial risks may be necessary to achieve our goals, particularly when investing in new initiatives that align with our strategic objectives. We carefully evaluate financial options and risks and consider the potential impact on our financial position, cash flow, and overall stability. We assess our capacity to absorb financial losses and maintain sufficient financial resources to mitigate the impact of most unexpected events. We have minimal appetite for operating deficits as our operating surpluses are the primary source of funds to renew our assets and our capital works program. We are committed to complying with all applicable laws, regulations and financial reporting standards. We have no appetite for financial losses arising from non-compliance with legal and regulatory requirements. We have no appetite for fraudulent or corrupt financial transactions. 		
Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> Employees and Councillors to be responsible for the financial impact of their activities and decisions that ensures appropriate spending of public money A culture of communication and reporting with respect to financial impacts and risks Sound investment decisions Regular review of internal controls to support responsible financial management. 	<ul style="list-style-type: none"> Minor unforeseen and unavoidable cost variations in projects within the established budgets, contingencies and forward estimates Minor losses or capital outlays attributable to new processes or innovation to meet community needs, provide better outcomes and/or increased value for money Calculated financial risks to deliver infrastructure, improve 	<ul style="list-style-type: none"> Financial activities and practices that contravene legislation or policy Failure to have effective systems, processes and controls to protect against fraud and corruption Fraudulent or corrupt behaviour from employees, Councillors or suppliers Actions that have a significant negative impact on long term financial sustainability, the City's ability to meet financial


	<p>service delivery or promote long term financial sustainability which may result in a short-term deterioration in the operating result and financial position</p>	<p>sustainability targets and KPIs, and intergenerational equity</p>
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Risk category – Environmental and Sustainability

Risk appetite levels		
<p style="text-align: center;">Environmental and sustainability</p> 		
<i>Risk appetite statement</i>		
<ul style="list-style-type: none"> • We recognise the critical importance of environmental protection and sustainability in our operations and decision-making. We are committed to minimising our negative impact on the environment and striving for a more sustainable future. We accept that sometimes environmental protection (e.g. pollution) and environmental sustainability (e.g. cleaner energy) place us at opposite ends of the risk appetite spectrum. • We are dedicated to actively identifying and addressing environmental risks associated with our activities and services. We prioritise prevention and proactive measures to minimise our ecological footprint, conserve resources and protect ecosystems. • We have no appetite for decisions, activities and practices that result in long term or irrevocable environmental damage. • We have minimal appetite for non-compliance with environmental laws, regulations and industry standards. In many cases we strive to exceed base level legal requirements and engage in sustainable practices that align with the best interests of the environment. • We have an open appetite for changes to procedures and practices to accommodate improved environmental outcomes. • We embrace innovative solutions and emerging technologies that enable us to minimise environmental risks and enhance sustainability. We actively explore and invest in sustainable alternatives, renewable energy sources and efficient resource utilisation. • We have robust risk management in place to minimise environmental incidents, adapt to climate change impacts and to enhance our resilience against unforeseen challenges. 		
<i>Risk tolerance</i>		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> • Business activities and decisions that are undertaken in alignment with the 'City's Environmental Strategy 2021 – 2025' and 'Sustainable Sydney 2030 – 2050 Continuing the Vision 	<ul style="list-style-type: none"> • Minor environmental impacts from uncontrollable or unforeseen events, or to deliver enduring benefits to our community well into the future • Single unforeseen events that can be reversed 	<ul style="list-style-type: none"> • Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable. • Deliberate or reckless failure to meet regulatory or legal requirements.

	<ul style="list-style-type: none"> Activities or decisions that do not significantly impact the organisation’s emissions or those of the wider City of Sydney 	<ul style="list-style-type: none"> Decisions or activities that are inconsistent with the City’s Environmental Strategy 2021 – 2025 and Sustainable Sydney 2030 – 2050 Continuing the Vision
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Risk category – Service Delivery


Risk appetite levels		
<p>Service delivery</p> 		
Risk appetite statement		
<ul style="list-style-type: none"> We encourage innovation and aim to deliver high quality services in line with our Vision and Purpose. Our risk philosophy is centred around achieving a balance between innovation, community and user satisfaction and risk management, ensuring that we meet our strategic objectives while maintaining a robust control environment. We recognise that external threats, shocks and disasters may cause disruption to our services and core functions. We aim to enhance our resilience, crisis management and business continuity capabilities in readiness for these events. We recognise the increasing role that technology plays in the delivery of our services. We embrace innovative solutions and emerging technologies that enable us to improve services and utilisation of our resources. We encourage our people to develop the capability and mindset needed to support the application of this technology. We are open to exploring new opportunities and changing service levels to the community, taking into account community expectations, needs and our financial sustainability. We have minimal appetite for more than temporary disruption to our critical service functions, such as waste services and childcare services. We have minimal appetite for disruption to our regulatory functions, especially those that affect public safety, front line service and our core corporate functions and business systems. We have a cautious to open appetite for our strategic, community development, urban planning and creative functions and services. 		
Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> Exceptional community and user service Maintenance of service availability, reliability and performance Continuous improvement in service quality and efficiency. 	<ul style="list-style-type: none"> Unforeseen interruptions to services within maximum allowable outages contained in our business continuity plans, where we respond and communicate promptly to impacted stakeholders. 	<ul style="list-style-type: none"> Ongoing failure to deliver critical services Absence of plans to respond to a disruption and support continuity of critical service and business functions

<ul style="list-style-type: none"> • New ways of working that result in improved services and/or improved community satisfaction. • Our people to develop the capability and mindset needed to support the application of new technologies 	<ul style="list-style-type: none"> • Moderate impacts to service delivery arising from new technology, services, infrastructure projects, maintenance works or innovation that improve our services over the medium to long term • Moderate impacts arising from innovations and reforms that contribute to creating a flexible and productive workforce. 	<ul style="list-style-type: none"> • Failure to promptly escalate a critical business impact or outage.
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Risk category – People

Risk appetite levels

People



Risk appetite statement


- We are committed to the health, safety and wellbeing of our workers, residents, visitors and others who interact with our assets, operations and services.
- We recognise that health and safety risks are inherent in all of our activities and operations and in the public domain for which we are responsible. We also recognise that many incidents, injuries and harm are preventable and that proactive risk management is crucial to achieving a safe and healthy environment for everyone.
- Our primary objective is to prevent harm, injuries and workplace illnesses to our workers, residents, visitors and other stakeholders.
- We acknowledge that achieving a risk-free environment is not feasible, especially in the public domain. We therefore aim to minimise health, safety and wellbeing risks within our organisation and in the public domain as far as reasonably practicable and in keeping with our legal obligations.
- We have **no** appetite for any activities or conditions that pose an immediate threat to life, such as uncontrolled hazards or disregard for safety regulations. We will prioritise immediate corrective actions to eliminate such risks promptly.
- We have **no** tolerance for any form of abuse or exploitation of people, including children.
- We have **no** appetite for any activities in our services for children and young people that pose a serious threat to their physical or psychological wellbeing. We will prioritise immediate corrective actions to eliminate such risks promptly.
- We have **minimal** appetite to take risks that jeopardise the safety of our workers, volunteers, contractors, children/young adults in our care, and broader members of the community.
- Where risks associated with activities and services can be effectively mitigated and there are reasonable benefits to the community, a **minimal** risk appetite can be considered.

<i>Risk tolerance</i>		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> • Workplaces and public spaces that prioritise health and safety, foster wellbeing and comply with applicable legislative and regulatory requirements. • Continuous improvement in health and safety by encouraging innovation, learning from incidents and near-misses and actively seeking opportunities to enhance safety. • Workplace reforms that improve community services and or contribute to organisational sustainability. • Consultation with our workers and community on matters that affect them. • Collaboration with the NSW government and other third parties to improve health and safety in the public domain. • Reporting and rectifying risks in accordance with policy and procedures • Spaces, activities and services that foster diversity and inclusion 	<ul style="list-style-type: none"> • Minor unforeseen incidents or injuries that arise from time to time while undertaking work activities. • Minor morale issues and staff grievances related to agreed organisational change due to innovation or change management processes • Minor unforeseen incidents or injuries to people that arise from time to time while undertaking normal activities in the public domain, where the City has met our duty of care 	<ul style="list-style-type: none"> • Actions or behaviours that put people’s safety at risk • Failure to follow the Safety Management System including polices/procedures, risk management plans and legislative requirements • Actions or behaviours that deliberately and/or willingly contravene the WHS Act 2011 and WHS Regulation 2017, the Code of Conduct or WHS policies and procedures, including bullying and harassment • Activities that result in reasonably foreseeable and preventable injuries or illnesses to our workers or community • Unsafe work environments or unsafe infrastructure • Activities that place children/ young adults in our care at risk from physical or psychological harm where effective mitigation is not in place

Risk category – Infrastructure, Technology, Assets and Property

Risk appetite levels

Infrastructure, technology, assets and property



Risk appetite statement

- We recognise the need to strike a balance between risk taking and risk aversion to ensure the sustainable management of infrastructure, assets and their long-term resilience.
- We recognise the importance of prudent financial management when it comes to our assets and we strive to maintain a financially sustainable position. Our risk appetite acknowledges the need to balance investment in infrastructure with the Council’s overall financial capacity. We allocate adequate resources to the maintenance and renewal of assets and ensure that there is alignment between asset management plans, the Delivery Program and our long-term financial plan.
- We place a high priority on ensuring the continuity of essential services delivered through infrastructure assets. Our risk appetite emphasises the need to protect and maintain critical


infrastructure to minimise disruption to services, meet community expectations and to ensure public safety.

- We acknowledge the diverse expectations of our stakeholders, including the community, ratepayers, regulatory bodies and elected officials. Our risk appetite considers stakeholder expectations and seeks to align infrastructure management practices with their needs, while maintaining a responsible and sustainable approach.
- We acknowledge our responsibility to protect and enhance the social and environmental wellbeing of our community. Our risk appetite emphasises the integration of sustainable practices into infrastructure asset management, considering environmental impacts, climate change resilience and community engagement.
- We manage our assets, infrastructure and property in accordance with established service levels.
- We have **no** appetite to compromise on standards that could potentially impact essential/critical infrastructure, assets or property.
- We recognise the intrinsic value of culture and heritage assets and the importance of their preservation. We adopt a **cautious** approach to risk taking, focusing on the protection, conservation and restoration of significant cultural and heritage resources to ensure their long-term viability and integrity.
- We have **minimal** appetite for data loss and/or privacy breaches resulting from cyber incidents.
- We have **minimal** appetite for change that detrimentally impacts on the cultural or heritage properties of significant items, structures or buildings.
- We have an **open** risk appetite and will accept some level of risk to enhance our infrastructure, assets or property.
- We aim to strike a **balance** between achieving our strategic objectives and ensuring the long-term sustainability of infrastructure assets; and preserving and promoting culture and heritage, embracing innovation, and ensuring the long-term sustainability and accessibility of cultural/heritage assets.

Risk tolerance

The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> • Proactive asset management and reporting of issues • Detailed planning and programming of asset renewal to ensure appropriate resources are allocated in the long-term financial plan • Innovation which optimally maintains or improves upon service levels and sustainability outcomes 	<ul style="list-style-type: none"> • Moderate impacts to infrastructure due to implementation of new technology, innovation initiatives or projects • Short term disruption to assets for minor programmed repair or replacement • Minor unforeseen and unavoidable cost variations in capital projects within the established contingency 	<ul style="list-style-type: none"> • Failure to promptly escalate critical infrastructure damage or issues • Failure to develop plans to respond to a disruption and ensure continuity of operational infrastructure • Failure to implement routine maintenance of our infrastructure and assets • Poor administration and management of contracts • Required asset renewal from being undertaken

Risk category – Reputation and Image


Risk appetite levels		
<p>Reputation and image</p> 		
Risk appetite statement		
<ul style="list-style-type: none"> • We recognise the significance of our reputation as a valuable asset that influences stakeholder trust, business continuity and the short- and long-term achievement of our objectives. • While we strive to maintain an impeccable reputation, we acknowledge that unforeseen events can occur. We also acknowledge that a diversity of views exist in our community and it will not always be possible to provide a positive outcome for every member of the community. • We recognise the increasing role that technology plays in the delivery of our services. We embrace innovative solutions and emerging technologies that enable us to improve services and utilisation of our resources. • In the event of a reputation damaging incident, we will promptly and honestly communicate the situation to affected stakeholders taking into account legal and regulatory requirements. • We will respond swiftly to any incidents and we will prioritise the protection of our stakeholders' interests, demonstrate accountability and will work towards restoring trust and confidence. • We improve our risk management by incorporating lessons learned from past reputation-damaging incidents. We regularly review and update our risk appetite to align with evolving circumstances and emerging threats. • We foster a culture of ethics, integrity and responsible behaviour across our organisation. By creating a strong ethical foundation, we aim to minimise the likelihood of reputation-damaging incidents and enhance our ability to respond effectively when challenges arise. • We have no appetite for unethical or corrupt conduct. • We aim to strike a balance between achieving our strategic objectives, implementing change and embracing innovation, and protecting our reputation. • We have minimal appetite to take risks which may impact our reputation where there are alternative avenues available. • We have minimal appetite for risk that impacts our reputation, standing and brand with the community, media, stakeholders, investors, other levels of government and overseas. 		
Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> • Employees to act in accordance with the Code of conduct and City values 	<ul style="list-style-type: none"> • Isolated or minor incidents, concerns and complaints that 	<ul style="list-style-type: none"> • Improper, unethical or corrupt behaviour or failure to act in

<ul style="list-style-type: none"> • Employees to engage with the community as guided by the 'Our approach to engaging the community' • Proactive communication with the community and employees ahead of significant change/s. • Prompt escalation of issues that may impact the City's reputation • Employees to promptly notify a Director of significant incidents that may impact the City's reputation 	<p>can be resolved by effective management</p> <ul style="list-style-type: none"> • Adverse media or social media scrutiny where actions or decisions have been carefully considered and documented. • Adverse media or community complaints when implementing agreed actions within Sustainable Sydney 2030-2050: Continuing the Vision. • Minor complaints relating to action which deliver longer term benefits to the community. 	<p>accordance with Council policies</p> <ul style="list-style-type: none"> • Actions or behaviours that deliberately and/or willingly contravene the Code of Conduct or Council policies • Failure to act or make decisions in a fair, honest, transparent manner • Individuals failing to disclose and appropriately manage a conflict of interest • Failure to consult or involve the community in significant changes or key decisions • Failure to respond to complaints in a prompt and professional manner • The release of services, programs and initiatives that fail to meet agreed standards that could adversely impact the City's brand or reputation
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Risk category – Legal and Compliance

Risk appetite levels

Legal and compliance



Risk appetite statement

- We recognise that legal and compliance risks are inherent in our operations and can significantly impact our reputation, financial stability and legal standing.
- We make decisions that align with our corporate objectives, policies and strategies.
- We are committed to conducting our activities in full compliance with applicable laws, regulations and relevant industry standards.
- We encourage all employees to report legal or compliance concerns promptly. We maintain an open and transparent reporting culture including reporting compliance breaches to the Audit Risk and Compliance Committee.
- We maintain a register of our legal and regulatory requirements and we have systems and resources in place to meet our compliance obligations.
- We continually review and evolve all elements of our governance frameworks.
- We promote a culture of integrity, honesty and ethical behaviour in all aspects of our operations. We have **no** appetite for unethical practices or actions that may expose the organisation to significant legal or compliance risks.

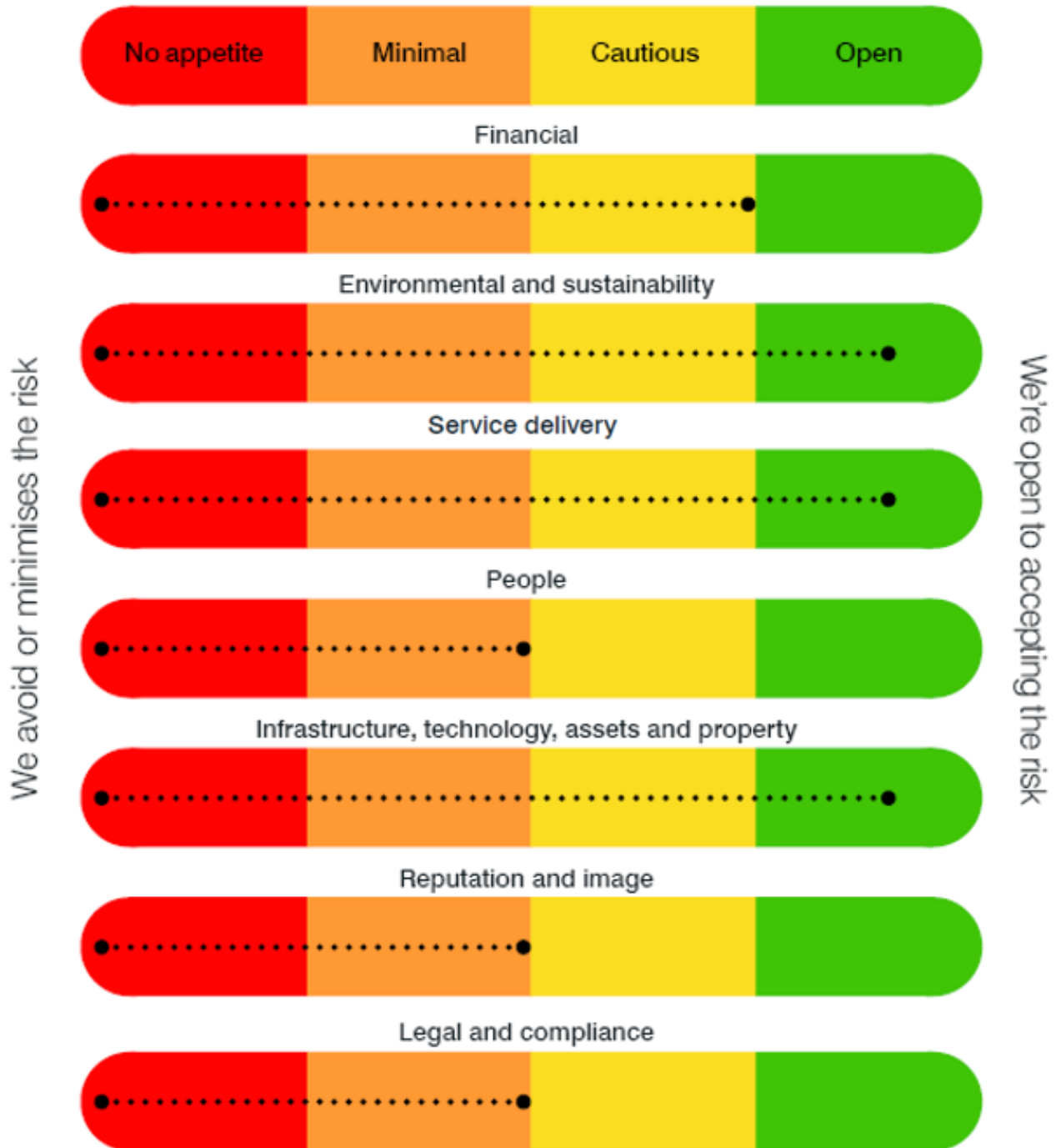
- We have **no** appetite for engaging in illegal activities including fraud and corruption.
- We have **minimal** tolerance for non-compliance with policies and procedures and we will take reasonable steps to prevent, detect and promptly address non-compliance.
- Where there are clear benefits to the community in pursuing a course of action, we may adopt a **minimal** risk appetite. Where pursued this should be appropriately approved, recorded and effectively managed.

Risk tolerance

The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
<ul style="list-style-type: none"> • Compliance with all applicable laws, regulations and other authority documents relevant to our operations. • An organisational culture that fosters compliance and good governance • Prompt reporting of potential or actual claims, cases, breaches, non - compliance, allegations or incidents • Recording and monitoring strategic and operational risks on an ongoing basis • Consideration of expert and professional legal advice when making significant decisions. 	<ul style="list-style-type: none"> • Litigation risks (for example where Council is defending its policies) where decisions are supported by a risk assessment and approved in accordance with delegations • Minor impacts and isolated complaints, despite best efforts to avoid or mitigate risk, resulting from normal business activity 	<ul style="list-style-type: none"> • Corrupt or fraudulent conduct by its employees • Unreasonable delays when reporting or investigating any fraudulent, improper, unethical or corrupt conduct • Employees knowingly breaking the law, failing to comply with legal obligations or recklessly breaching internal policies • Unauthorised release of confidential information or privacy breaches

Risk Appetite Summary Table

City of Sydney risk appetite



Attachment F

**CVs of Recommended Additional Members
for the Audit Risk and Compliance
Committee**

CURRICULUM VITAE

Full name: Rosemary Milkins PSM

Address:

Phone:

Email:

A distinguished and respected public servant, Rosemary spent over 20 years at senior executive level. Experienced in reform with a flair for innovative approaches, she has deep knowledge of emergency services, health, education, the government sector, government relations and private sector partnerships.

CAREER OVERVIEW

Current **Director**
40 Learnings Consultant & Advisory Services

Providing subject matter expertise on reform programs - design and implementation, particularly in the government sector. Consulting on policy review & development, strategy, planning, business redesign, human capital management (including training), infrastructure, logistics, IT/cyber, governance and culture. Specialist areas include Law Enforcement, Emergency Services, Health and Education sectors.

Chair (non executive, independent)
Red Piranha Ltd

An Australian company providing advanced cyber security products

Chair
Mid North Coast Local Health District Audit & Risk Committee

Member
Nepean & Blue Mts Local Health District, Audit & Risk Committee
NSW Health Education & Training Institute, Audit & Risk Committee
NSW Customer Service, Audit & Risk Committee
Bureau of Health Information
Health Professional Councils Authority, Audit & Risk Committee

Director (non executive)
Eryldene Foundation – an historic house charity

2017-2019

**Deputy Commissioner
NSW Police Force**

Reform and leadership of all business functions for the NSW Police Force, an agency of over 20,000 employees serving 8 million people.

Provided strategy and improvement initiatives across finance (\$3.5 billion budget); procurement; information technology, cyber and communications (including call centre); human resources; WHS; education & training (including Goulburn Academy); Office of General Counsel; regulatory functions; infrastructure planning/delivery (incl. buildings and fleet); Project Management Office; governance and audit; Shared Services Centre.

2010-2016

**Deputy Chief Executive/Deputy Commissioner
Fire & Rescue NSW**

Leadership of all business functions and for organisational reform of one of the world's largest urban fire and rescue services covering 7000 employees in over 300 fire stations and facilities across NSW.

This included: finances (budget \$700 million), human resources/WHS/industrial relations; IT and communications technology; community safety; education & training (including Academy); governance, audit & legal; infrastructure development (buildings, fleet, equipment) and logistics.

2008-2010

**Assistant Director General, Public Sector Workforce
NSW Department of Premier and Cabinet**

Leadership and management of the Public Sector Workforce Branch. It provided policy development, industrial relations strategy, workforce planning, workforce development and performance strategy, workforce information services, workforce legal and legislative support, equity and diversity strategies covering all public sector agencies employing over 300,000 employees.

2007-2008

**Director, Corporate Governance
NSW Department of Premier and Cabinet**

Responsible for strategy and expertise services in a range of corporate areas including human resources, finances (budget \$220m), governance and audit, IT strategy and management, accommodation, procurement, record keeping, office support, web and publication services.

Rosemary Milkins

1997-2007

Director, Executive and Corporate Support NSW Department of Health

Leadership and management of the Division providing strategy and delivery of a range of human resource, personnel, training and payroll services, financial and administrative services, IT and web services, accommodation and facilities management, information and records services, security, procurement and transport services.

1991-1997

Manager, Strategic Services NSW Department of Education

Responsible for strategic planning & reporting, demographic services, media, ministerial services and policy support in Metropolitan North Region covering schools from the Harbour to the Central Coast. Relocated to Metropolitan West and then Head Office providing policy support to the Assistant Director General responsible for schools.

1988-1991

Senior Policy Advisor NSW Board of Studies

Responsible for policy advice on curriculum reform, legislation, assessment and certification in relation to the School Certificate and Higher School Certificate as well as corporate and strategic planning. Former high school teacher.

ACADEMIC BACKGROUND

Graduate, Australian Institute of Company Directors
Bachelor of Arts, Diploma of Education - Macquarie University
Master of Arts degree (Education) - Macquarie University
Teaching Certificate

HONOURS & AWARDS

Public Service Medal

MEMBERSHIPS

Member of the Australian College of Educators
Member, Emergency Leaders for Climate Action
Justice of the Peace
Former Trustee of Casino Community Benefit Fund
Former Member of Optical Dispensers Board
Former Member of the HealthQuest Board
Former Member of the NSW State Contracts Control Board
Former Member of Health Education & Training Advisory Council

Resume - Robert Lagaida BEc MComm FCPA GAICD PSM

PROFILE

A Senior Executive with over 25 years' experience in public sector, aged and disability sectors who has worked directly with Boards, Board Chairpersons and Chief Executives to provide strategic advice for the delivery of health and social services and related strategic procurement of goods and services.

Skilled at negotiating with government departments and private sectors to coordinate the delivery of services, undertake strategic procurement goods, develop and implement infrastructure, and information technology. Extensive experience in managing recurrent budgets of over \$1.5 billion, capital projects of over \$200m per annum, and undertaking statewide contracts with total annual spend of \$900M to support the delivery of health related and other community services.

In the Australia Day 2018 Honours List, I received a Public Service Medal (PSM) in recognition of my resource management contributions to the NSW public hospital system.

I have extensive experience as a Board Director and an Independent Chair / Member of Audit and Risk Committee in state and local governments, health, disability and aged care sectors. I currently serve as a Board Director, independent Chair / Member of Audit and Risk Committees in a number of government and not for profit organisations.

QUALIFICATIONS

Professional

- Graduate and a member of the Australian Institute of Company Directors (GAICD)
- Fellow of the Certified Practising Accountants (FCPA)
- Pre-qualified by the NSW Government as Chair and Member of Audit and Risk Committee

Tertiary Education

- Bachelor of Economics (University of Sydney - BEc)
- Graduate Diploma in Information Systems (Charles Sturt University)
- Master of Commerce (University of New South Wales - MCom)

PROFESSIONAL AND PERSONAL ATTRIBUTES

Board and Committee Experience

- Proven experience in making contributions, providing strategic advice and establishing effective relationship with the Boards of a diverse range of government and not for profit organisations
- Proven experience in planning and managing strategic organisational resources, and governance matters through the Sub Committees of the Boards, such as Finance Committees, Audit & Risk Management Committees.

Professional Experience

- Proven skills in complex service delivery, strategic procurement, corporate and business planning
- Extensive experience in management of large and diverse organizations and business entities
- Proven strategic commercial and financial skills
- Extensive experience in enterprise risk management, governance, internal and external auditing, management control framework, performance management and financial reporting.

Personal Attributes

- Extensive experience implementing change management and continuous improvement practices
- Excellent interpersonal and negotiation skills, works well with a broad range of groups of stakeholders

BOARD AND COMMITTEE EXPERIENCE

Current Board Directorship

- Trustee, Responsible Gambling Fund, NSW Department of Enterprise, Investment and Trade (responsible advising NSW Government on minimizing gambling harm in the community)
- Board Director, NSW Local Government Procurement Pty Ltd
- Board Director and Chair of Audit Committee, LiveBetter Pty Ltd (one of the largest not for profit companies providing aged and disability services in regional NSW and Queensland)
- Board Director, Bureau of Health Information

Current Finance, Audit and Risk Committee Membership

- Chair, Audit and Risk Management Committee, Multicultural NSW
- Chair, Audit and Risk Management Committee, Health Education and Training Institute
- Chair, Audit and Risk Management Committee, Nepean Blue Mountains Local Health District
- Chair, Audit, Risk and Improvement Committee, Orange City Council.
- Independent Member, Audit, Risk and Improvement Committee, Blacktown City Council, Liverpool City Council, Bayside Council, Northern Beaches Council and Wollongong City Council.

Previous

- Board Member and Chair of Finance and Performance Committee, Nepean Blue Mountains Local Health District December 2020 - December 2023
- Board Member, Psychology Australia (NSW) August 2020 - November 2022
- Board Director and Chair of Finance and Audit Committee, Arthritis and Osteoporosis NSW October 2017 - March 2021
- Chair, Audit, Risk and Compliance Committee, North Shore Community Transport (a not for profit company providing transport for disabled and elderly people) November 2018 - December 2019
- Chair, Audit, Risk and Committee, Bureau of Health Information March 2020 – March 2023

EXECUTIVE CAREER

2012 – 2017 (retired) Director, Finance and Corporate Services (HealthShare and eHealth NSW)

Major Responsibilities

- Lead, direct and manage financial and asset resources to ensure delivery of effective and quality financial and budget performance for all business units.
- Lead and direct business strategy and initiatives, and implement continuous improvement initiatives to achieve realisation of value for money for NSW Health.
- Undertake contestability processes through benchmarking and implementation of commercial business models, leading to market testing for specified services.
- Lead, establish and implement business unit budgets, management reporting, and financial controls, and provide strategic advice on budget forecasting to the Board.
- Develop and manage transparent and effective pricing and costing mechanisms to demonstrate value for money for NSW Health entities using the industry benchmarks, ensuring financial.

2006 –2012 Director, Operations and Strategic Procurement (HealthShare and eHealth NSW)

Major Responsibilities

- Lead the corporate services reforms for NSW public hospitals through the establishment of state wide shared business units for financial, human resources, procurement, information technology, warehousing, food, linen and disability program (with a total of 4000 corporate staff affected).
- Manage the procurement reforms for NSW public hospitals through state wide contracts reforms for goods, IT and other services, online requisitioning, electronic purchase orders, standard catalogues and rationalisation of warehousing and logistics, to achieve savings.
- Implement public and private sector partnership through successful negotiations with the private sector to support the delivery of health services

2004 –2006 Director, Clinical Operations (Sydney West Area Health Service)

Major Responsibilities

- Oversee the clinical operation, coordination and management of clinical staff, equipment, asset and other resources, to ensure clinical services were delivered effectively and efficiently at Westmead, Auburn, Lottie Stewart and St Joseph Hospitals.
- Lead the change management processes of determining clinical service priorities and allocating resources on the basis of consultation, agreed priorities and community needs.
- Manage the continuous improvement processes for the clinical services for accreditation.

2003 –2004 Executive Director, Resource Management (Wentworth Area Health Service)

Major Responsibilities

- Manage the development and implementation of Three Year Forward Financial Plan, Annual Budget Plan and Budget Allocation Strategies for business units and hospitals
- Implement financial analysis, monitoring and controls for large capital projects for the redevelopment of Nepean Hospital campus.
- Develop and implement sustainable staff recruitment and retention strategies through staff development, education and training, to meet service needs for clinical and corporate services.

2000 –2003 Director, Health System Performance Branch (NSW Department of Health)

Major Responsibilities

- Manage and evaluate Performance Agreements with Health Services to ensure that NSW Health Services are accountable to the Government and the community.
- Manage the performance accountability process between the Director-General of NSW Health and the Boards of Health Services for service delivery and resource management.
- Develop, monitor and report on progress of Department of Health's Corporate and Business Plans including the delivery of health services in rural NSW.

1998 - 1999 Director, Finance and Corporate Services (Mid-Western Health Service Bathurst)

Major Responsibilities

- Manage and oversee the overall financial management of hospital and community health services within Mid-Western Area Health Service.
- Oversee the functions of Business Units (Linen and Pathology Services) and Corporate Support Services within the Mid-Western Area Health Service.
- Establish pathology and laboratory networks across the entire western region of NSW, involving 29 laboratories and 800 staff.

1994 –1998 Director, Industry and Commercial Services (NSW Health Department)

Key Achievements

- Purchase public health services from the non-government sector in respect of Port Macquarie Base and Hawkesbury Hospitals, Prince of Wales Ambulatory Clinic, Lithgow, Lourdes and Albury Mercy Hospitals
- Develop and implement commercial agreements on the co-location of private hospitals in public hospital campuses at Royal North Shore, Prince of Wales and Armidale Hospitals.

1990 - 1994 Manager, Information Policy and Data Services (NSW Health Department)

Major Responsibilities

- Manage and coordinate complex projects for system-wide financing and costing including:
 - production of costing data and the introduction of standard chart of accounts
 - introduction of clinical costing systems in major hospitals
 - identification of teaching and research costs and assessment of public/private patient mi

1987 - 1990 Manager, Planning and Economic Services (Maritime Services Board of NSW)

1983 - 1987 Senior Budget Officer (The University of Sydney)

1981 - 1983 Financial Accountant (The University of Sydney)

1979 - 1981 Finance Officer (Conveyor and Hoist Pty Ltd)

Item 4.

Presentation of the 2023/24 Financial Statements and Audit Reports to Council

Document to Follow

Item 5.

Investments Held as at 31 August 2024

File No: X020701

Summary

This report provides details of the City's investment portfolio and performance to 31 August 2024.

The City's total Investment and Cash position was \$834.0M at 31 August 2024, with investments earning interest of \$3.5M for the month.

Annual CPI inflation increased to 3.8 per cent in the June 2024 quarter, up from 3.6 per cent in the March 2024 quarter, but lower than the 4.1 per cent annual rise in the December 2023 quarter. The rate of inflation remains above the Reserve Bank of Australia's (RBA) target range of two to three per cent. While global factors explain much of the variation in inflation, domestic factors also continue to play a role. Widespread upward pressures on prices remain, albeit moderating, in the economy due to strong demand, a tight labour market and capacity constraints in some sectors of the economy.

The Reserve Bank of Australia (RBA) board most recently raised the official cash rate on 7 November 2023, by 25 basis points to 4.35 per cent, a 12-year high, up from the record low of 0.10 per cent level in May 2022. While inflation appears to be trending down, economic analysts note that the decline has been slower than anticipated. The general expectation of the majority of banks is that official rates will remain on hold until late this calendar year with potential for rate cuts to follow, provided the declining inflation trend continues. In August 2024, financial institutions began reducing medium term deposit rates based on expectations of number of interest rate cuts by the Reserve Bank of Australia in early 2025.

The City's cash and investments portfolio includes restricted funds in both internal (\$238M) and external (\$89M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific amounts for major initiatives within the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 Continuing the Vision. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and commercial property and open space acquisitions. The balance of investment funds represents working capital and funding required for the City's operating and capital expenditure commitments.

The City achieved an annualised monthly return of 5.14 per cent for August which remains above the 30-Day Bank Bill Rate (BBR) of 4.30 per cent, the latest AusBond Bank Bill Index of 4.56 per cent and the enhanced benchmark of 4.75 per cent (BBR + 0.45 per cent).

Since 2015, the City has utilised an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, by at least 45 additional basis points (0.45 per cent p.a.). The 45 basis point increase is based on observed historical average increased credit spreads (or margins) over bank bill rates on offer in relation to 30–90 day investments.

The City's annual rolling return of 5.11 per cent continues to exceed the 12 month average 30 Day Bank Bill Rate of 4.26 per cent, the latest AusBond Bank Bill Index of 4.40 per cent and the enhanced benchmark of 4.71 per cent (BBR + 0.45 per cent). The benchmarks were endorsed in the revised Investment Strategy approved by Council in October 2023.

It is worth noting that Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister for the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sector's investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which generally produce lower returns but provide a high level of security. The City's returns from the investment portfolio remain in line with cash managed funds in the market.

This report includes graphs demonstrating that the City's liquidity profile continues to satisfy the requirements of the Policy, and charts that identify the distribution of the City's portfolio across credit ratings, investment product types and financial institutions. Separate charts depicting the City's cumulative portfolio returns over and above both the 90-day Bloomberg AusBond and 30-day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.

The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions. The Policy and Strategy also maintain the City's commitment to sustainable investments where returns and risks are equivalent, under the environmentally and socially responsible investment criteria.

Recommendation

It is resolved that Investment Report as at 31 August 2024 be received and noted.

Attachments

Attachment A. Register of Investments and Cash as at 31 August 2024

Attachment B. Investment Performance as at 31 August 2024

Background

1. In accordance with the principles of sound financial management, cash that is surplus to the City's immediate requirements is invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds.
2. Surplus cash is only invested in authorised investments that comply with governing legislation and the City's Investment Policy and Strategy.
3. The benchmark performance goal of the City's Investment Policy and Strategy is to surpass the 30 Days Bank Bill Rate (BBR) by 45 basis points while performance also continues to be measured against the Bloomberg AusBond Bank Bill Index.
4. The City's total Investment and Cash position as at 31 August 2024 is \$834.0M, an increase of \$72M from 31 July 2024. The monthly movement reflects operating income, most of which was received from the first instalment of rates receipts, in excess of capital works expenditure and other operational payments for the period and is consistent with historical seasonal trends. A schedule detailing all of the City's investments as at the end of August 2024 is provided at Attachment A.
5. A substantial portion of the City's cash and investments portfolio is held as internally restricted (\$238M) or externally restricted (\$89M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for major initiatives within the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 Continuing the Vision.
6. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and the acquisition of commercial property and open space. The balance of investment funds represents working capital and funding required for the City's operating and other capital expenditure commitments.
7. The City achieved an annualised monthly return of 5.14 per cent for August which remains above the 30-Day Bank Bill Rate (BBR) of 4.30 per cent, the latest AusBond Bank Bill Index of 4.56 per cent and the enhanced benchmark of 4.75 per cent (BBR + 0.45 per cent).
8. Since 2015, the City has utilised an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, by at least 45 additional basis points (0.45 per cent p.a.). The 45 basis point increase is based on observed historical average increased credit spreads (or margins) over bank bill rates on offer in relation to 30 to 90 day investments.
9. The City's annual rolling return of 5.11 per cent continues to exceed the 12-month average 30 Day Bank Bill Rate of 4.26 per cent, the latest AusBond Bank Bill Index of 4.40 per cent and the enhanced benchmark of 4.71 per cent (BBR + 0.45 per cent). The benchmarks were endorsed in the revised Investment Strategy approved by Council in October 2023.
10. The City aims to achieve returns equal to or above these benchmark rates for the period. However, this achievement remains secondary to the critical strategies of maintaining a prudent and conservative risk profile and ensuring adequate liquidity for operational purposes.

11. It is worth noting Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sectors investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which produces lower returns but provides a high level of security.
12. The Australian economy is experiencing a sustained period of inflation well in excess of the Reserve Bank of Australia's (RBA) target range of two to three per cent. There are indications that inflationary pressures are reducing. While annual CPI inflation increased to 3.8 per cent in the June quarter, up from 3.6 per cent in the March quarter it was lower than the 4.1 per cent annual rise in the December quarter. Global factors explain much of the variation in inflation with domestic factors also playing a role. There are widespread upward pressures on prices from strong demand, a continuing tight labour market and capacity constraints in some sectors of the economy.
13. In response to the current period of inflation, the RBA lifted official cash rates on 14 consecutive occasions from the record low 0.1 per cent level in May 2022. The current rate is 4.35 per cent. The RBA faces considerable pressure as it must effectively balance controlling inflation while also maintaining employment levels.
14. Inflation appears to be trending down based on recent CPI quarterly results. Economic analysts note that the decline has been slower than anticipated resulting in official interest rates remaining unchanged since November 2022. The current expectation of the majority of banks is that official rates will remain on hold until late this calendar year with potential for rate cuts to follow, provided that the declining inflation trend continues. In August 2024, financial institutions began reducing medium term deposit rates based on expectations of number of interest rate cuts by the Reserve Bank of Australia in early 2025.
15. The report includes graphs depicting the City's cumulative portfolio returns over and above both the 90-day Bloomberg AusBond, and 30-day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.
16. The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy which was last revised and approved by Council in October 2023 remains appropriate for the current global and domestic economic conditions.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

17. The City's investments accord with all legislative and policy requirements, as detailed below, and aim to achieve returns above minimum benchmark rates.

Financial Implications

18. The City's investments earned interest of \$3.5M for the month of August 2024, which is well above the monthly budgeted earnings of \$2.9M.
19. Annual interest earnings for the 2023/24 financial year were \$38.9M. The interest income budget for the 2024/25 financial year is \$35.0M.

Relevant Legislation

20. Council is authorised to invest its surplus cash under section 625 of the Local Government Act 1993.
21. The Local Government (General) Regulation 2021 (section 212) requires the City to provide a written monthly report of all monies invested, under section 625 of the Act.
22. The Investment Policy and Strategy was last revised in October 2023, maintaining Council's commitment to give preference to sustainable investments where returns and risks are equivalent to other investments.
23. The City's investments accord with the Minister's Investment Order, the Office of Local Government's Investment Policy Guidelines, and the City's own Investment Policy and Strategy as adopted by Council on 23 October 2023.

Critical Dates / Time Frames

24. A monthly investment report must be submitted for Council's information and review within the following month.

Public Consultation

25. Consultation is regularly undertaken with a number of financial institutions and investment advisers to consider options and ensure the City continues to maximise its investment return within appropriate legislative and risk parameters. City staff meet regularly with representatives of the 'Big 4' banks and NSW TCorp. At these meetings City staff actively advocate for Socially Responsible Investment (SRI) opportunities.
26. The banks acknowledge the appetite in the market for these products and they continue to investigate the development of suitable products, however it has been challenging to match the level of funds to available Socially Responsible Investment opportunities that meet the credit risk and maturity profile requirements of the City.
27. As noted in previous Investment Reports, Westpac were able to bring a Green Tailored Deposit product to market, which delivers a comparable return while achieving the City's preferred outcomes. The City currently holds \$80.0M in sixteen tranches with this Green Tailored deposit.

28. The City currently holds \$5.0M in a sustainability bond/FRN with Bank Australia due to mature on 24 November 2025 and an additional \$4.5M, invested in February 2023 and due to mature on 22 February 2027. This is based on an investment framework that is in line with the 2021 versions of the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). This Socially Responsible investment opportunity meets both the credit risk and maturity profile requirements of the City.

SCOTT MCGILL

Acting Chief Financial Officer

Attachment A

**Register of Investments and Cash
as at 31 August 2024**

Summary of Net Investment Movements - August 2024

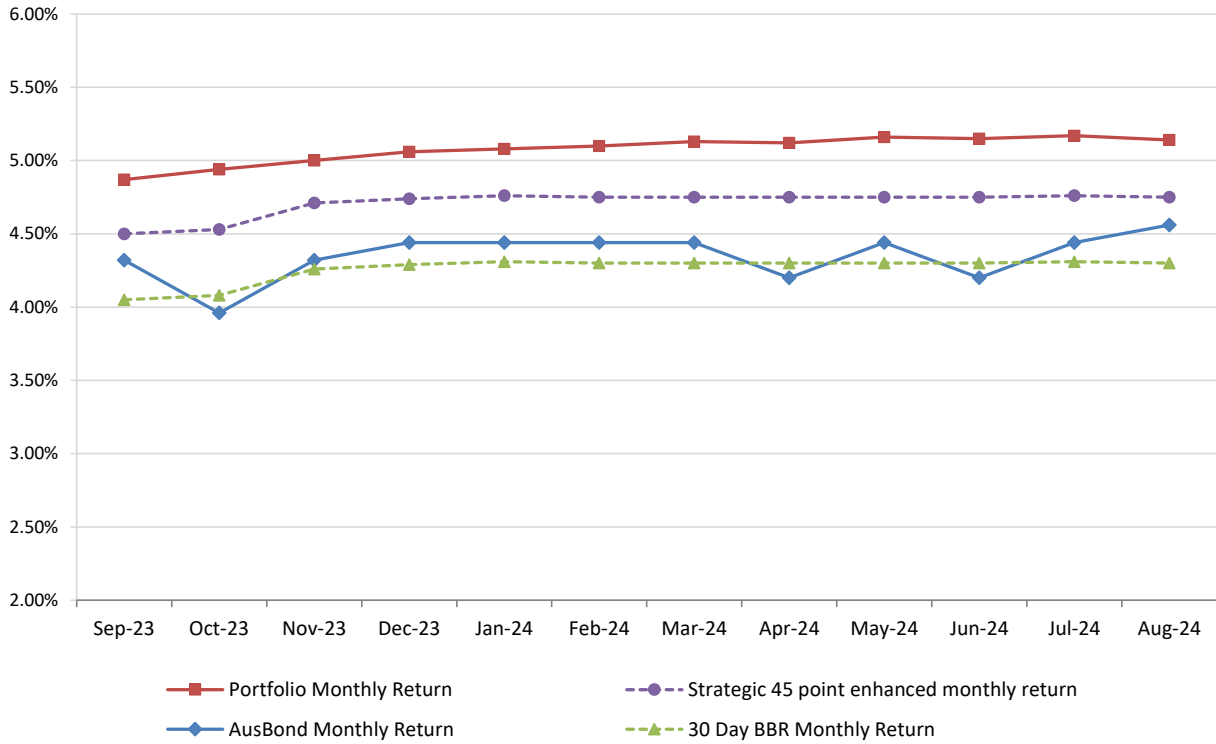
Financial Institution	Fund Rating	Net Investment/(Reduction) Amount \$	Commentary
<u>General Fund & Call Account</u>			
Westpac Banking Corporation- General Fund	AA-	(14,400,000)	Surplus of funds received in general fund due to first instalment of rates income. Funds transferred from Westpac General fund to CBA Call account for institutional threshold compliance purposes.
Commonwealth Bank- Call Account	AA-	20,000,000	
<u>Term Deposits (TDs)</u>			
Bendigo & Adelaide Bank	A-	(5,000,000)	Redeemed matured investments utilised for operational purposes, or placed in higher yielding investments.
Commonwealth Bank	AA-	(10,000,000)	
ING Bank	A+	15,000,000	Redeemed matured investments and any additional income received, placed in higher yielding term deposits.
National Australia Bank	AA-	15,000,000	
Westpac Banking Corporation	AA-	55,000,000	
<u>Floating Rate Notes (FRNs)</u>			
ANZ Bank	AA-	(4,000,000)	Redeemed matured investments and additional income placed in higher yielding investments.
Westpac Banking Corporation	AA-	(4,000,000)	
ING Bank	A+	4,500,000	

Attachment B

**Investment Performance
as at 31 August 2024**

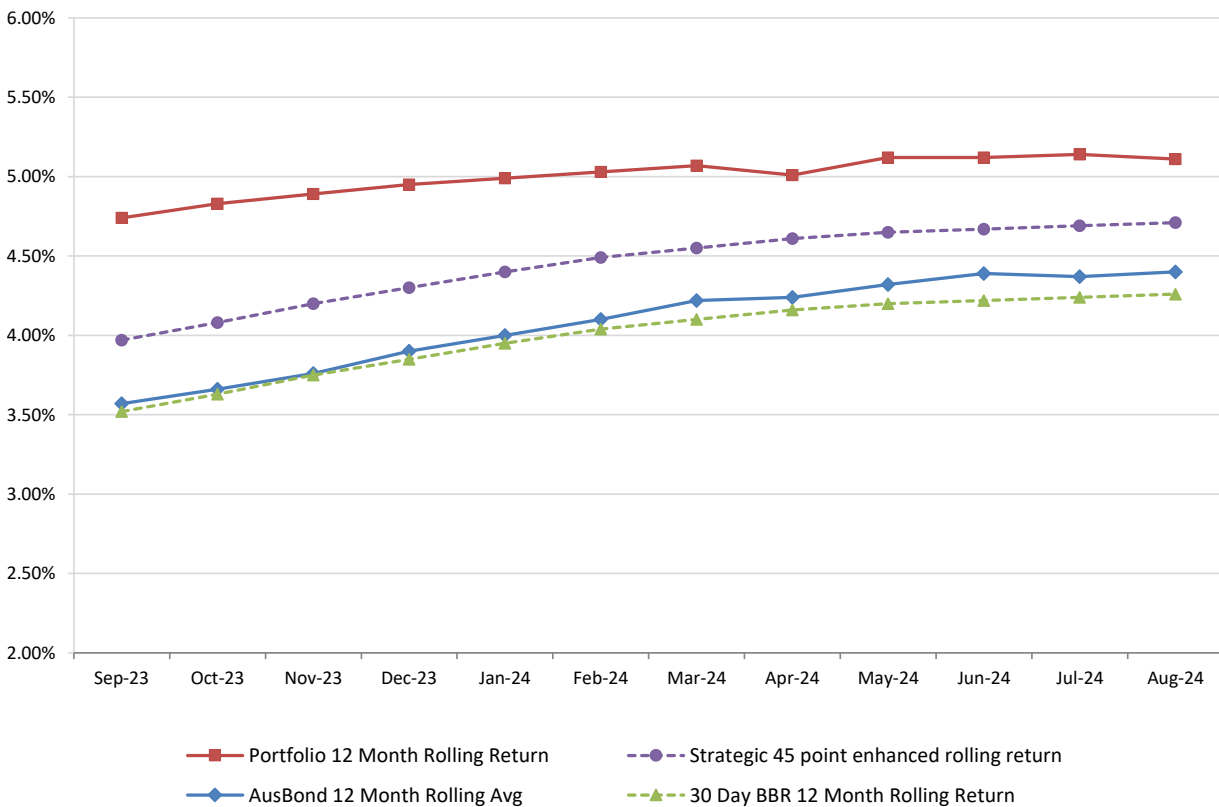
Monthly Results

Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark August 2024

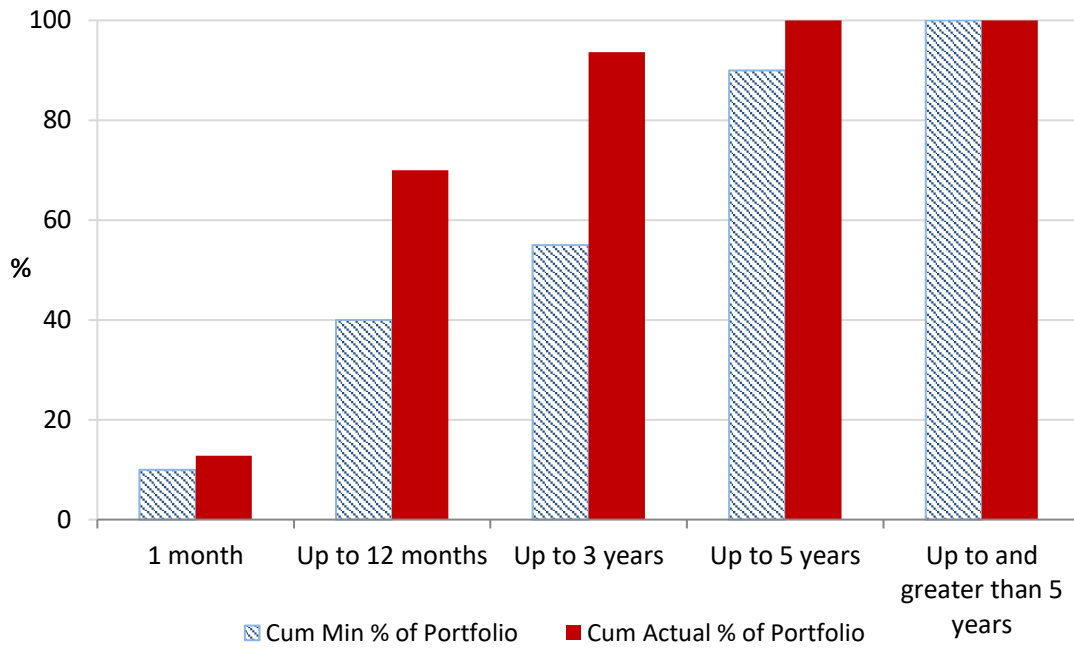


12 Month Rolling Averages

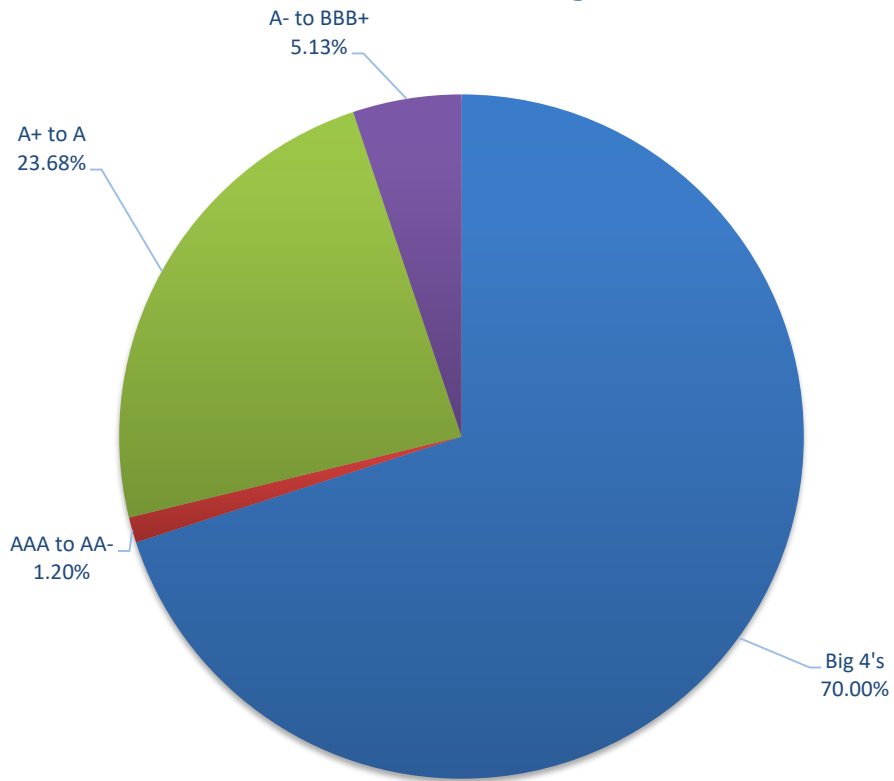
Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark August 2024



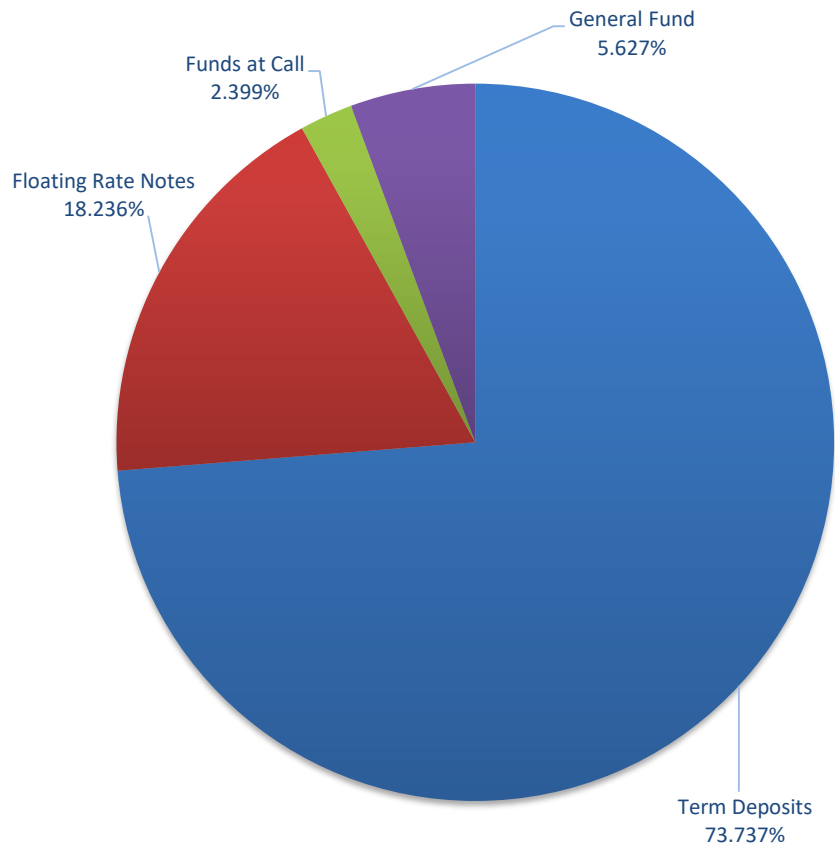
Portfolio Liquidity - Minimum Allocations as at 31 August 2024



Risk Profile as at 31 August 2024



Risk Profile as at 31 August 2024



INVESTMENT AND CASH DISTRIBUTION BY FINANCIAL INSTITUTION				
as at 31 August 2024				
Institution Category	Financial Institution	Amount \$M	Financial Inst. %	Institution Cat. %
Australian Big 4 Bank (and related institutions)	ANZ Bank	23.0	2.8	
	Commonwealth Bank	101.3	12.1	
	National Australia Bank	185.7	22.3	
	Westpac Banking Corporation	273.8	32.8	
Big 4 Total		583.8		70.0
Other Australian ADIs and Australian subsidiaries of foreign institutions	Bank Australia Limited	9.5	1.1	
	Bank of Queensland	8.0	1.0	
	Bendigo & Adelaide Bank	11.5	1.4	
	Great Southern Bank (formerly Credit Union Australia)	6.5	0.8	
	ING Bank	96.0	11.5	
	Suncorp Bank	87.5	10.5	
	Macquarie Bank Ltd	14.0	1.7	
	Northern Territory Treasury Corporation	10.0	1.2	
Newcastle Greater Mutual Group Ltd	7.3	0.9		
Other ADI Total		250.3		30.0
Grand Total		834.0	100.0	100.0

Item 6.

Investments Held as at 30 September 2024

File No: X020701

Summary

This report provides details of the City's investment portfolio and performance to 30 September 2024.

The City's total Investment and Cash position was \$838.3M at 30 September 2024, with investments earning interest of \$3.6M for the month.

Annual CPI inflation decreased to 3.4 per cent in August 2024 from 3.8 per cent in the June 2024 quarter. The rate of inflation remains above the Reserve Bank of Australia's (RBA) target range of two to three per cent. While global factors explain much of the variation in inflation, domestic factors also continue to play a role. Widespread upward pressures on prices remain in the economy due to strong demand, a tight labour market and capacity constraints in some sectors of the economy.

The Reserve Bank of Australia (RBA) board last raised the official cash rate on 7 November 2023, by 25 basis points to 4.35 per cent, a 12-year high, up from the record low of 0.10 per cent level in May 2022. While inflation is declining, economic analysts note that the decline has been slower than anticipated, increasing the possibility of a further cash rate rise. However, the general expectation of majority of the banks is that official rates will remain on hold until late this calendar year with potential for rate cuts to follow, provided that the declining inflation trend continues. The financial institutions have reduced medium term deposit rates based on expectations of number of interest rate cuts by the Reserve Bank of Australia in early 2025.

The City's cash and investments portfolio includes restricted funds in both internal (\$238M) and external (\$89M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific amounts for major initiatives within the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 Continuing the Vision. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and commercial property and open space acquisitions. The balance of investment funds represents working capital and funding required for the City's operating and capital expenditure commitments.

The City achieved an annualised monthly return of 5.13 per cent for September which remains above the 30-Day Bank Bill Rate (BBR) of 4.31 per cent, the latest AusBond Bank Bill Index of 4.32 per cent and the enhanced benchmark of 4.76 per cent (BBR + 0.45 per cent).

Since 2015, the City has utilised an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, by at least 45 additional basis points (0.45 per cent p.a.). The 45 basis point increase is based on observed historical average increased credit spreads (or margins) over bank bill rates on offer in relation to 30–90 day investments.

The City's annual rolling return of 5.10 per cent continues to exceed the 12 month average 30 Day Bank Bill Rate of 4.28 per cent, the latest AusBond Bank Bill Index of 4.41 per cent and the enhanced benchmark of 4.73 per cent (BBR + 0.45 per cent). The benchmarks were endorsed in the revised Investment Strategy approved by Council in October 2023.

It is worth noting that Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister for the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sector's investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which generally produce lower returns but provide a high level of security. The City's returns from the investment portfolio remain in line with cash managed funds in the market.

This report includes graphs demonstrating that the City's liquidity profile continues to satisfy the requirements of the Policy, and charts that identify the distribution of the City's portfolio across credit ratings, investment product types and financial institutions. Separate charts depicting the City's cumulative portfolio returns over and above both the 90-day Bloomberg AusBond and 30-day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.

The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy, which remains appropriate for the current global and domestic economic conditions. The Policy and Strategy also maintain the City's commitment to sustainable investments where returns and risks are equivalent, under the environmentally and socially responsible investment criteria

Recommendation

It is resolved that Investment Report as at 30 September 2024 be received and noted

Attachments

Attachment A. Register of Investments and Cash as at 30 September 2024

Attachment B. Investment Performance as at 30 September 2024

Background

1. In accordance with the principles of sound financial management, cash that is surplus to the City's immediate requirements is invested within acceptable risk parameters to optimise interest income while ensuring the security of these funds. Surplus cash is only invested in authorised investments that comply with governing legislation and the City's Investment Policy and Strategy.
2. The benchmark performance goal of the City's Investment Policy and Strategy is to surpass the 30 Days Bank Bill Rate (BBR) by 45 basis points while performance also continues to be measured against the Bloomberg AusBond Bank Bill Index.
3. The City's total Investment and Cash position as at 30 September 2024 is \$838.3M, an increase of \$4.3M from 31 August 2024. The monthly movement reflects operating income, in excess of capital works expenditure and other operational payments for the period and is consistent with historical seasonal trends. A schedule detailing all of the City's investments as at the end of September 2024 is provided at Attachment A.
4. A substantial portion of the City's cash and investments portfolio is held as internally restricted (\$238M) or externally restricted (\$89M) cash reserves, to satisfy the City's legislative responsibilities and to set aside specific funds for major initiatives within the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 Continuing the Vision.
5. Key commitments within the City's Long Term Financial Plan include public domain works in the CBD, infrastructure and community facilities in the Green Square urban renewal area and the acquisition of commercial property and open space. The balance of investment funds represents working capital and funding required for the City's operating and other capital expenditure commitments.
6. The City achieved an annualised monthly return of 5.13 per cent for September which remains above the 30-Day Bank Bill Rate (BBR) of 4.31 per cent, the latest AusBond Bank Bill Index of 4.32 per cent and the enhanced benchmark of 4.76 per cent (BBR + 0.45 per cent).
7. Since 2015, the City has utilised an additional strategic benchmark rate to measure its investment performance by exceeding the 30 day benchmark returns, by at least 45 additional basis points (0.45 per cent p.a.). The 45 basis point increase is based on observed historical average increased credit spreads (or margins) over bank bill rates on offer in relation to 30 to 90 day investments.
8. The City's annual rolling return of 5.10 per cent continues to exceed the 12 month average 30 Day Bank Bill Rate of 4.28 per cent, the latest AusBond Bank Bill Index of 4.41 per cent and the enhanced benchmark of 4.73 per cent (BBR + 0.45 per cent). The benchmarks were endorsed in the revised Investment Strategy approved by Council in October 2023.
9. The City aims to achieve returns equal to or above these benchmark rates for the period. However, this achievement remains secondary to the critical strategies of maintaining a prudent and conservative risk profile and ensuring adequate liquidity for operational purposes.

10. It is worth noting Council's investment opportunities are constrained by a combination of legislation, regulation and any directions and guidelines issued by the Minister or the Office of Local Government. These guidelines were developed, in large part, as a response to the Global Financial Crisis and its impact on the local government sectors investments. They effectively limit the City's investment profile to something similar to a cash managed fund, which produces lower returns but provides a high level of security.
11. The Australian economy is experiencing a sustained period of inflation well in excess of the Reserve Bank of Australia's (RBA) target range of two to three per cent. There are indications that inflationary pressures are reducing. Annual CPI inflation decreased to 3.4 per cent in August 2024 from 3.8 per cent in the June 2024 quarter. The rate of inflation remains above the Reserve Bank of Australia's (RBA) target range of two to three per cent. While global factors explain much of the variation in inflation, domestic factors also continue to play a role. Widespread upward pressures on prices remain in the economy due to strong demand, a tight labour market and capacity constraints in some sectors of the economy.
12. In response to the current period of inflation, the RBA lifted official cash rates on 14 consecutive occasions from the record low 0.1 per cent level in May 2022. The current rate is 4.35 per cent. The RBA faces considerable pressure as it must effectively balance controlling inflation while also maintaining employment levels.
13. Inflation appears to be trending down based on recent CPI quarterly results. Economic analysts note that the decline has been slower than anticipated resulting in official interest rates remaining unchanged since November 2023. The current expectation of the majority of banks is that official rates will remain on hold until late this calendar year with potential for rate cuts to follow, provided that the declining inflation trend continues. The financial institutions have reduced medium term deposit rates based on expectations of number of interest rate cuts by the Reserve Bank of Australia in early 2025.
14. The report includes graphs depicting the City's cumulative portfolio returns over and above both the 90-day Bloomberg AusBond, and 30-day Bank Bill Rate benchmarks have also been included to provide further insight into the City's total investment portfolio performance.
15. The structure of the City's investment portfolio continues to reflect the conservative approach outlined in the Investment Policy and Strategy which was last revised and approved by Council in October 2023 remains appropriate for the current global and domestic economic conditions

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

16. The City's investments accord with all legislative and policy requirements, as detailed below, and aim to achieve returns above minimum benchmark rates.

Financial Implications

17. The City's investments earned interest of \$3.6M for the month of September 2024, which is well above the monthly budgeted earnings of \$2.9M. The interest income budget for the 2024/25 financial year is \$35.0M.

Relevant Legislation

18. Council is authorised to invest its surplus cash under section 625 of the Local Government Act 1993.
19. The Local Government (General) Regulation 2021 (section 212) requires the City to provide a written monthly report of all monies invested, under section 625 of the Act.
20. The Investment Policy and Strategy was last revised in October 2023, maintaining Council's commitment to give preference to sustainable investments where returns and risks are equivalent to other investments.
21. The City's investments accord with the Minister's Investment Order, the Office of Local Government's Investment Policy Guidelines, and the City's own Investment Policy and Strategy as adopted by Council on 23 October 2023

Critical Dates / Time Frames

22. A monthly investment report must be submitted for Council's information and review within the following month

Public Consultation

23. Consultation is regularly undertaken with a number of financial institutions and investment advisers to consider options and ensure the City continues to maximise its investment return within appropriate legislative and risk parameters.
24. City staff meet regularly with representatives of the 'Big 4' banks and NSW TCorp. At these meetings City staff actively advocate for Socially Responsible Investment (SRI) opportunities.
25. The banks acknowledge the appetite in the market for these products and they continue to investigate the development of suitable products, however it has been challenging to match the level of funds to available Socially Responsible Investment opportunities that meet the credit risk and maturity profile requirements of the City.
26. As noted in previous Investment Reports, Westpac were able to bring a Green Tailored Deposit product to market, which delivers a comparable return while achieving the City's preferred outcomes. The City currently holds \$80.0M in sixteen tranches with this Green Tailored deposit.

27. The City currently holds \$5.0M in a sustainability bond/FRN with Bank Australia due to mature on 24 November 2025 and an additional \$4.5M, invested in February 2023 and due to mature on 22 February 2027. This is based on an investment framework that is in line with the 2021 versions of the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). This Socially Responsible investment opportunity meets both the credit risk and maturity profile requirements of the City

SCOTT MCGILL

Acting Chief Financial Officer

Attachment A

**Register of Investments and Cash
as at 30 September 2024**

Summary of Net Investment Movements - September 2024

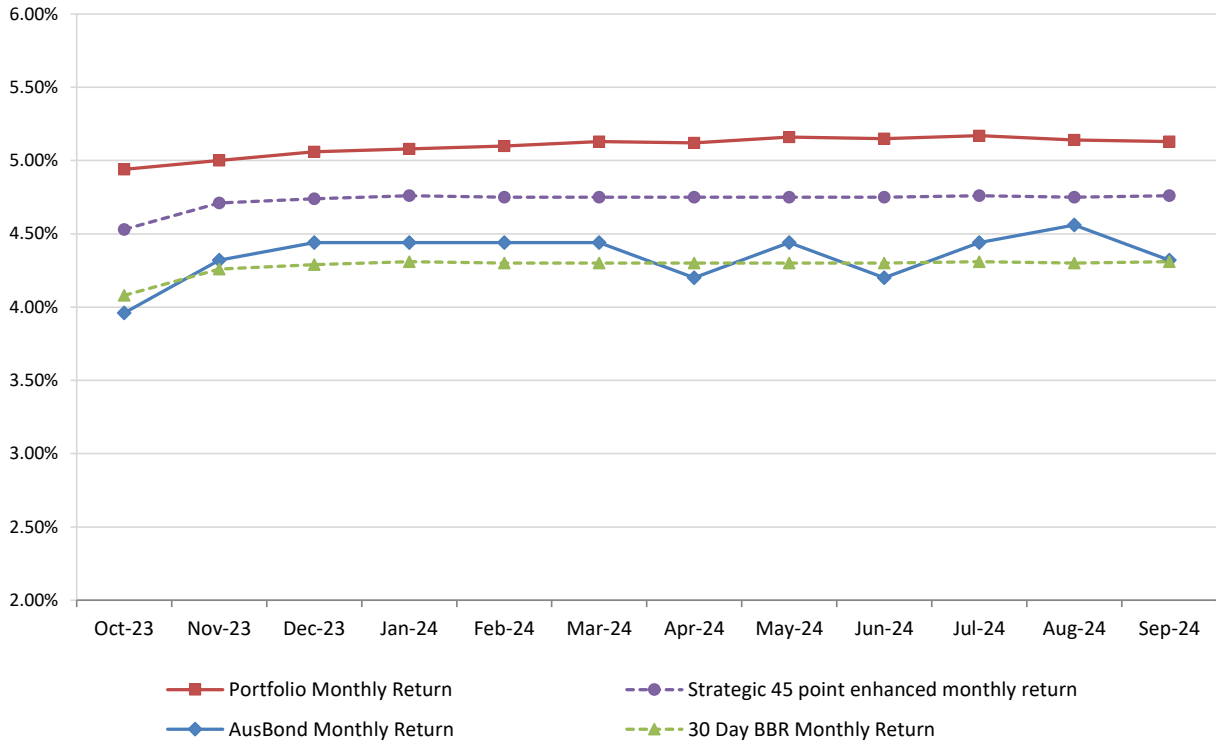
Financial Institution	Fund Rating	Net Investment/(Reduction) Amount \$	Commentary
<u>General Fund & Call Account</u>			
Westpac Banking Corporation- General Fund	AA-	(8,700,000)	Funds from general fund utilised for further investments or for future operational purposes.
<u>Term Deposits (TDs)</u>			
Commonwealth Bank	AA-	(40,000,000)	Redeemed matured investments utilised for operational purposes, or placed in higher yielding investments
Bank of Queensland	A-	20,000,000	Redeemed matured investments and any additional income received, placed in higher yielding term deposits.
ING Bank	A+	4,000,000	
National Australia Bank	AA-	20,000,000	
Westpac Banking Corporation	AA-	5,000,000	
<u>Floating Rate Notes (FRNs)</u>			
Suncorp Bank	A+	4,000,000	Redeemed matured investments and additional income placed in higher yielding investments

Attachment B

**Investment Performance
as at 30 September 2024**

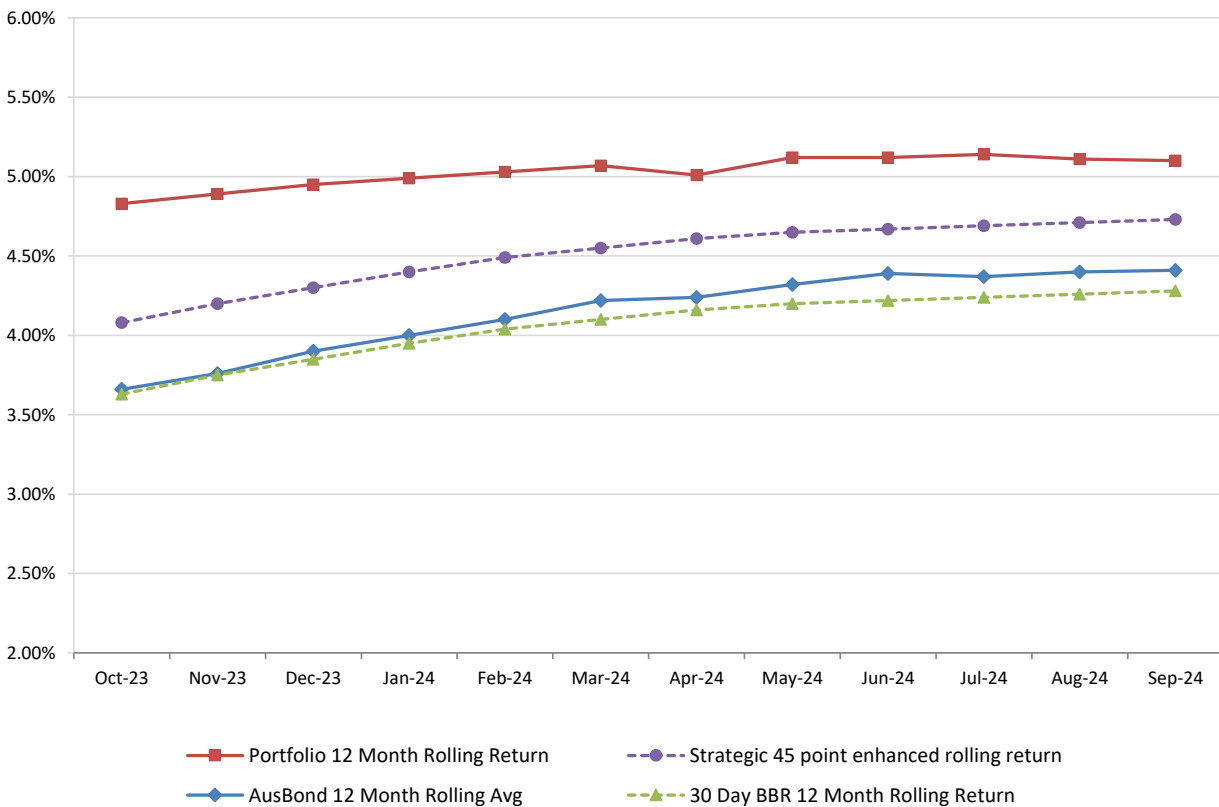
Monthly Results

Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark
September 2024

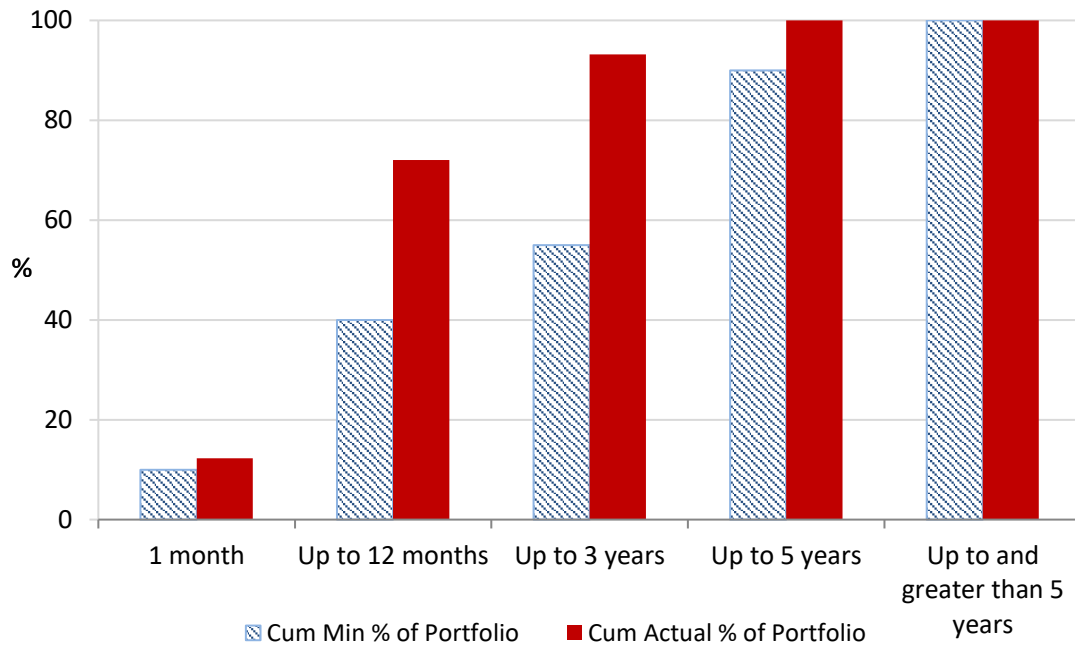


12 Month Rolling Averages

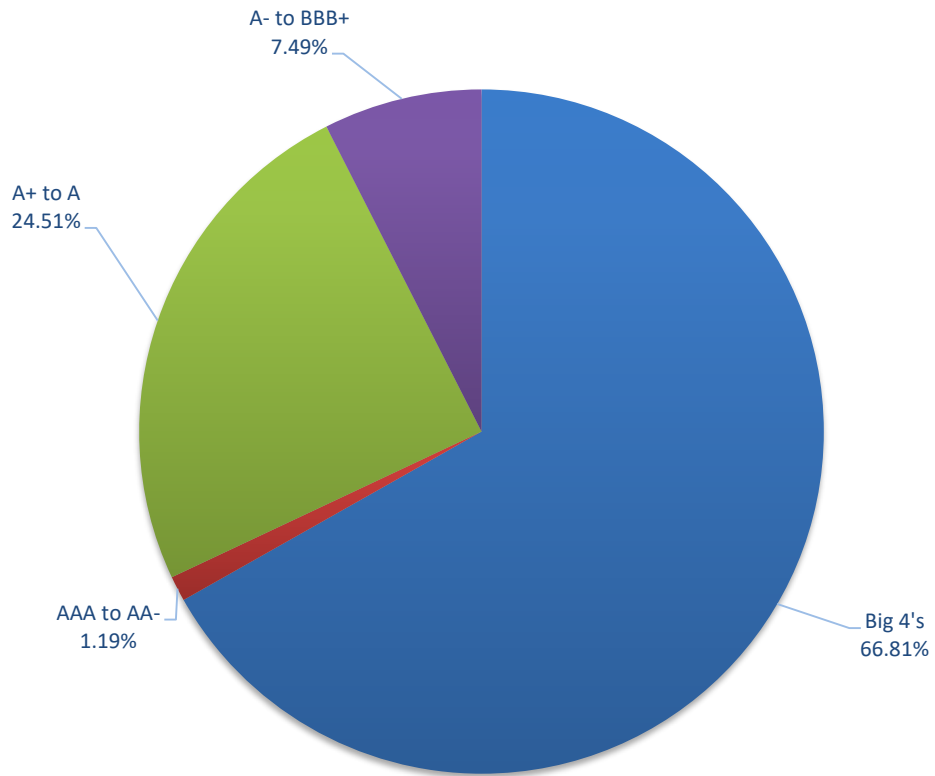
Actual Portfolio vs Strategic Enhanced Benchmark vs AusBond Benchmark vs 30 Day BBR Benchmark
September 2024



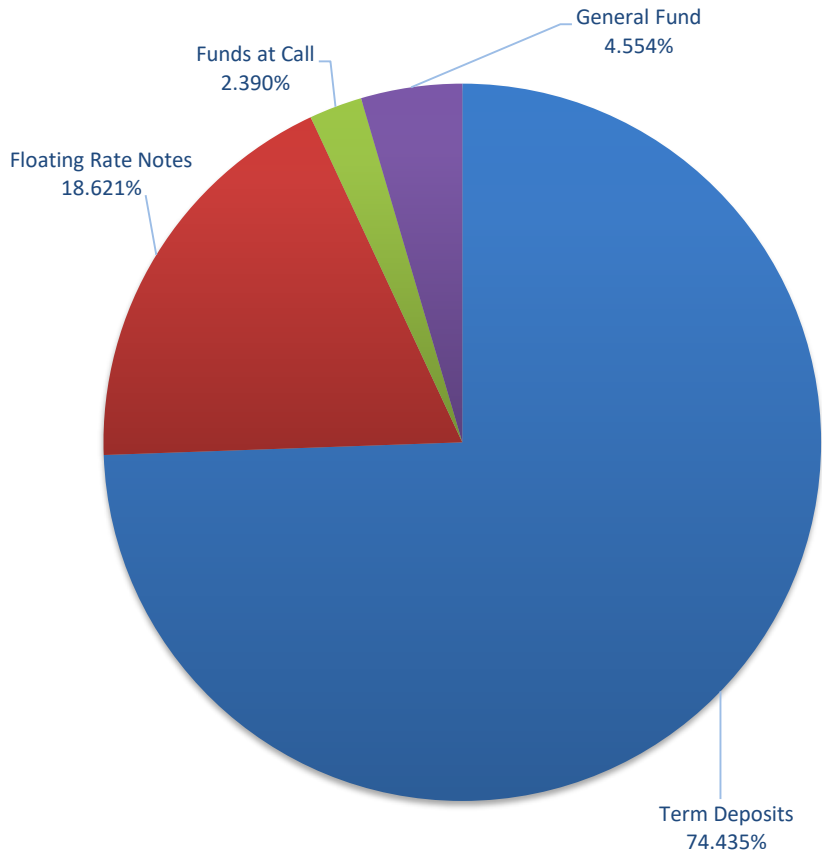
Portfolio Liquidity - Minimum Allocations as at 30 September 024



Risk Profile as at 30 September 2024



Risk Profile as at 30 September 2024



INVESTMENT AND CASH DISTRIBUTION BY FINANCIAL INSTITUTION				
as at 30 September 2024				
Institution Category	Financial Institution	Amount \$M	Financial Inst. %	Institution Cat. %
Australian Big 4 Bank (and related institutions)	ANZ Bank	23.0	2.7	
	Commonwealth Bank	61.3	7.3	
	National Australia Bank	205.7	24.5	
	Westpac Banking Corporation	270.1	32.2	
Big 4 Total		560.1		66.808
Other Australian ADIs and Australian subsidiaries of foreign institutions	Bank Australia Limited	9.5	1.1	
	Bank of Queensland	28.0	3.3	
	Bendigo & Adelaide Bank	11.5	1.4	
	Great Southern Bank (formerly Credit Union Australia)	6.5	0.8	
	ING Bank	100.0	11.9	
	Suncorp Bank	91.5	10.9	
	Macquarie Bank Ltd	14.0	1.7	
	Northern Territory Treasury Corporation	10.0	1.2	
Newcastle Greater Mutual Group Ltd	7.3	0.9		
Other ADI Total		278.3		33.192
Grand Total		838.3	100.0	100.000

Item 7.

**Lease Variation – Palace Cinema Nominees Pty Ltd – Chauvel Cinema,
Paddington**

Document to Follow

Item 8.**Lease Approval - Level 18, 456 Kent Street, Sydney - JTB Oceania Pty Ltd**

File No: X104519

Summary

This report seeks Council approval for the renewal of a lease to JTB Oceania Pty Ltd for Level 18, Town Hall House, 456 Kent Street, Sydney, for a term of three years.

Essential lease terms and conditions of the proposed lease are shown in Confidential Attachment A.

This report recommends that Council approve granting this lease to JTB Oceania Pty Ltd.

Recommendation

It is resolved that:

- (A) Council approve the granting of a lease to JTB Oceania Pty Ltd for Level 18, 456 Kent Street, Sydney for a three-year term, commencing on 1 October 2024 and terminating on 30 September 2027 for the amount outlined in Confidential Attachment A to the subject report; and
- (B) authority be delegated to the Chief Executive Officer to finalise the terms of the proposal and negotiate, execute and administer the terms of the lease relating to the proposal in accordance with Confidential Attachment A to the subject report.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. JTB Oceania Pty Ltd currently occupies a 900 square metre commercial space under a five-year lease of Level 18, 456 Kent Street, which commenced on 1 October 2019 and expired on 30 September 2024. JTB Oceania Pty Ltd has an option to renew the lease for an additional three-year term upon expiration of the existing lease.
2. JTB Oceania Pty Ltd has been a tenant at the premises since October 2012 but has significantly downsized since Covid-19 and prefers a reduced space. As no suitable alternative space was available in the building, the tenant expressed interest in renewing the lease for three years under new terms, as outlined in Confidential Attachment A. JTB Oceania Pty Ltd remains at the premises with the new lease commencing on 1 October 2024.
3. JTB Oceania Pty Ltd has been a model tenant during its tenure at Town Hall House. JTB Oceania Pty Ltd has maintained its tenanted area to a high standard, ensuring the space remains well-maintained. JTB Oceania Pty Ltd has cooperated fully with the City, adhering to their lease terms and maintaining positive communication with the City.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

4. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 1 - Responsible governance and stewardship - specifically expanding revenue from commercial operations and the property portfolio.

Financial Implications

5. The new lease will reduce the current year operating income, and the annual forecast has been updated accordingly. Financial implications are detailed in Confidential Attachment A.

Relevant Legislation

6. Local Government Act 1993 - Sections 10A provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business and if discussion of the information in an open meeting would, on balance be contrary to public interest.
7. Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business.

8. Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially achieve the best outcome for ratepayers.

Critical Dates / Time Frames

9. Critical Dates are outlined in Confidential Attachment A.

Options

10. Should the Council decide not to proceed with this lease proposal, the premises would remain vacant, depriving the City of valuable income. Given the current market conditions and the extended time it has taken to lease other spaces in the building, leaving the premises vacant would result in a loss of potential revenue. This delay in securing a tenant could lead to additional operating costs and missed opportunities to generate income, especially in light of the recent challenges in attracting long-term tenants.

Public Consultation

11. There is no requirement for public consultation for this commercial lease.

KIM WOODBURY

Chief Operating Officer

Valerie Astalos, Commercial Property Manager

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