

Item 3.

Audit Risk and Compliance Committee Annual Report to Council 2024/25

File No: S083523

Summary

The City of Sydney Audit Risk and Compliance Committee is responsible for oversight and monitoring of the City's audit, risk, and governance activities, including reviewing the implementation of recommendations resulting from internal audit, compliance and governance reviews.

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.

The Audit Risk and Compliance Committee is required to report annually to Council. This report covers the period from 1 July 2024 to 30 June 2025.

Recommendation

It is resolved that Council note the Audit Risk and Compliance Committee's 2024/25 Annual Assessment Report as shown at Attachment A to the subject report.

Attachments

Attachment A. Audit Risk and Compliance Committee Annual Assessment Report to Council 2024/25

Background

1. Council is required to appoint an Audit, Risk and Improvement Committee and 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 meet its obligations.
2. 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.
3. The guidelines clarify roles and responsibilities across risk management and internal audit, promote efficient and effective oversight arrangements, and streamline attestation requirements.

Audit Risk and Compliance Committee Annual Attestation to Council 2024/25

4. The Audit Risk and Compliance Committee is required by its Terms of Reference to report annually to Council. This report (Attachment A) covers 1 July 2024 to 30 June 2025.
5. The annual assessment report to Council must include:
 - (a) a summary and assessment of the work the City's Audit Risk and Compliance Committee (ARCC) performed to discharge its responsibilities during 2024/25
 - (b) an overview and assessment of the work of the Internal Audit unit
 - (c) progress against key performance indicators
 - (d) advice on the appropriateness of the Committee's Terms of Reference

- (e) an independent assessment by the Committee and advice on the matters considered by the Committee during the year that, in the Committee's opinion, and based on the level of risk facing Council, Council should be informed of and
 - (f) other views or opinions on the council that the committee wishes to share.
6. As at 9 September 2025, for the 5 overdue management actions/recommendations reported in Attachment A, there are 2 low-rated tasks that are overdue. One overdue recommendation is a low-rated audit recommendation (a finding from a prior audit of IT Project Management). Completion is currently at 70% and is estimated to be completed by December 2025. The other low-rated task is an agreed management action arising from the Recruitment Process and HRMS Recruitment Module report. Completion is currently at 20%.
7. There are 3 medium-rated management actions/recommendations that require more time to complete and have been extended to 31 March 2026 in order to complete the work required. There are two recommendations arising from the Low Value Procurement Review (at 80% and 60% completion as at 9 September 2025) and one agreed management action arising from the Schedule of Rates Review (at 90% complete).

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

8. 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

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

Risks

10. If the ARCC Annual Attestation Report to Council 2024/25 is not noted by Council, it will be non-compliant with the Regulation and guidelines, Audit Risk and Compliance Committee's Terms of Reference, and the Institute of Internal Auditors Global Internal Audit Standards.

Relevant Legislation

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

Critical Dates / Time Frames

14. The Audit Risk and Compliance Committee provides its annual report to Council in conjunction with the report of the External Auditor each year.

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