Item 4.

Audit, Risk and Compliance Committee Annual Report to Council 2025/26

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. Covering the period 1 July 2025 to 30 June 2026, this report assesses the Audit, Risk and Compliance Committee's work, committee oversight and membership, the City of Sydney's internal and external audit functions, and its risk, compliance, governance, and assurance arrangements. The Committee has met all its responsibilities and is satisfied with the City's overall assurance framework.

Recommendation

It is resolved that Council note the Audit Risk and Compliance Committee's 2025/26 Annual Assessment Report as shown at Attachment A to the subject report.

Attachments

Attachment A. 2025/26 ARCC Annual Assessment Report to Council

Background

1. The Office of Local Government (OLG) Guidelines for Risk Management and Internal Audit for Local Government in NSW (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.

2. 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 2025/26

3. 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 2025 to 30 June 2026.

4. 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 2025/26

   (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

   (f) other views or opinions on the council that the committee wishes to share.

Key implications

Strategic alignment - Sustainable Sydney 2030-2050 Continuing the Vision

5. 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

6. 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

7. Completion of the Annual Report to Council is a key compliance requirement of the Audit Risk and Compliance Committee and in accordance with the City's Risk Appetite Statement, there is minimal appetite for non-compliance. The Annual Report is prepared in compliance with the OLG Guidelines and the Institute of Internal Auditors Global Internal Audit Standards.

8. This report provides assurance to the elected Council that the City's risk, governance and internal audit frameworks are operating effectively.

Relevant legislation

9. Local Government Act1993, sections 23A and 428A.

10. Local Government (General) Regulation 2021.

11. Guidelines for Risk Management and Internal Audit for Local Government in NSW - Office of Local Government (November 2023).

Critical dates / Time frames

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

KIRSTEN MORRIN

Executive Director Legal and Governance

Debra Marschall, Audit and Admin Coordinator