

Item 10.**Audit, Risk and Compliance Committee - Appointment of New Chair****File No: S083523****Summary**

Council's Audit Risk and Compliance Committee (the Committee) plays an important role in the City's governance framework. It provides Council with independent oversight and monitoring of the City's audit, compliance, and risk processes and its other internal control activities.

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 terms of 2 independent members will expire on 30 June 2025. The City would like to acknowledge the contributions of these departing Committee members, Elizabeth Crouch AM and Carolyn Walsh, for their input to the work of the Committee. Elizabeth Crouch, the immediate past chairperson, has been a member since 2013 and Carolyn Walsh, the current chairperson, joined the Committee in 2014.

Stephen Horne was appointed to the Committee on 1 January 2024 (following Council endorsement of his appointment on 11 December 2023). He meets the criteria for appointment to the chair role under section 216D of the Local Government (General) Regulation 2021.

The current chair has nominated Mr Horne as her replacement and confirmed that Mr Horne will accept the role of chairperson of the Audit Risk and Compliance Committee, should Council appoint him. This proposed appointment was discussed and unanimously agreed to at the meeting of the Committee on 27 March 2025.

Recommendation

It is resolved that:

- (A) Council acknowledge and thank Elizabeth Crouch AM and Carolyn Walsh for their valuable service on the Audit, Risk and Compliance Committee;
- (B) Council appoint Stephen Horne as the incoming chair of the Audit Risk and Compliance Committee for a 3-year term, commencing 1 July 2025, as recommended by the current Chair, and ending on 31 December 2028, when his current term will end; and
- (C) Council note that Audit, Risk and Compliance Committee members can be reappointed by Council for a further 4-year term, subject to performance appraisal. The total period of continuous membership on the Audit ,Risk and Compliance Committee cannot exceed 8 years in any 10-year period (i.e. 2 terms). This includes any term as Chair of the Audit Risk and Compliance Committee.

Attachments

Attachment A. Stephen Horne - Brief CV

Background

1. Council's Audit, Risk and Compliance Committee (the Committee) plays an important role in the City's governance framework. It provides Council with independent oversight and monitoring of the City's audit, compliance and risk processes and its other internal control activities.
2. 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.
3. The Committee operates under the Audit, Risk and Compliance Committee Charter, which provides for appointments for independent external members for a 4-year period, in line with the draft Office of Local Government's Guidelines for Risk Management and Internal Audit for Local Government in NSW (December 2022).
4. The primary objectives of the City of Sydney 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.
5. The terms of 2 independent members will expire on 30 June 2025. It is appropriate for Council to acknowledge the contributions of these departing Committee members, Elizabeth Crouch AM and Carolyn Walsh, for their input to the work of the Committee. Elizabeth Crouch, the immediate past chairperson, has been a member since 2013 and Carolyn Walsh, the current chairperson, joined the Committee in 2014.
6. Under s 216D of the Local Government Regulation 2021 Council must be reasonably satisfied of the following matters prior to appointing a person as chairperson of the Committee:
 - (a) The person has leadership qualities
 - (b) The person is able to promote effective working relationships in complex organisations
 - (c) The person is able to communicate complex and sensitive assessments in a tactful way
 - (d) The person has a sound understanding of good organisational governance
 - (e) The person is able to understand local government accountability, including financial reporting

- (f) The person has a sound understanding of the business of council or the environment in which it operates
 - (g) The person has a sound understanding of the council's internal audit operations, including the selection and review of the internal audit co-ordinator for the council
 - (h) The person has a sound understanding of risk management principles
 - (i) The person has extensive senior level experience in governance and management of complex organisations
 - (j) The person is eligible to be appointed as an independent member of the Committee and
 - (k) The person is not an employee of a council or a joint organisation.
7. Stephen Horne was appointed to the Committee on 1 January 2024 (following Council endorsement of his appointment on 11 December 2023). A short version of his CV is included at Attachment A.
8. The current chair has nominated Mr Horne as her replacement and confirmed that Mr Horne will accept the role of chairperson of the Audit Risk and Compliance Committee, should Council appoint him. This proposed appointment was discussed and unanimously agreed to at the meeting of the Committee on 27 March 2025.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

9. 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 plan is aligned with the following strategic directions and objectives:
- (a) Direction 1 - Responsible governance and stewardship – The Regulation requires the appointment of an independent chairperson. As the term of the current chairperson ends on 30 June 2025, by approving the new chairperson will allow us to meet our responsibilities for governance and stewardship.

Risks

10. Breach of compliance with the requirements of the Local Government (General) Regulation 2021 and associated documents to have an established audit, risk and improvement committee (referred to as the ARCC) comprising an independent chairperson and at least two independent members who have voting rights.
11. The City's risk tolerance is guided by the principle that we comply with our legal and regulatory requirements and this recommendation reflects our risk appetite.

Financial Implications

12. The Chair and independent members of the Audit Risk and Compliance Committee are paid in accordance with the NSW Treasury Prequalification Scheme, November 2021. The payment of these funds is provided for in the City's budget.

Relevant Legislation

13. Local Government Act 1993, s428A.
14. Local Government (General) Regulation 2021.

Critical Dates / Time Frames

15. The new Chairperson must be appointed by 1 July 2025. The appointment of the new Chair will be formalised through a letter of appointment issued by the Lord Mayor prior to that date.
16. Stephen Horne's appointment will continue until 31 December 2028. Any further appointment will be the subject of a future report to Council.

KIRSTEN MORRIN

Executive Director Legal and Governance

Debra Marschall, Audit and Administration Coordinator