

## Ordinary Meeting

**Meeting Date:** Monday, 03 June, 2024

**Location:** Council Chambers, City Administrative Building, Bridge Road, Nowra

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# Audit, Risk & Improvement Committee Terms of Reference (Charter)

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Shoalhaven City Council – Audit Risk and Improvement Committee Terms of Reference (Charter)

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## 1. Introduction

Shoalhaven City Council (Council) has established an audit, risk and improvement committee (ARIC, the 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*. These terms of reference set out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

## 2. Objective

The objective of Council's ARIC is to provide independent advice to Council by monitoring, reviewing and providing feedback about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

## 3. Independence

The committee 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 Council with robust, objective and unbiased advice.

The committee is to have an advisory role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The committee 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 committee 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.

## 4. Authority

Council authorises the committee, 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 Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at committee meetings,
- receive information from Councillors in accordance to clause 7.3 of Council's Code of Conduct and

- with the approval of the Chief Executive Officer and/or the Mayor, obtain external legal or other professional advice in line with councils' procurement policies. Details of any costs incurred shall be included in the ARIC annual report to Council.

Information and documents pertaining to the committee are confidential and are not to be made publicly available. The committee may only release Council information to external parties that are assisting the committee 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.

## 5. Composition and tenure

The committee consists of an independent Chair and two independent members who have voting rights and one non-voting councillor, as required under the *Local Government (General) Regulation 2021 (216C Composition of Audit, Risk and Improvement Committee—the Act, Sch 6, cl 19B)*.

The governing body is to appoint the Chair and members of the committee. Current committee members are:

Donna Rygate	Independent Chair (voting)
John Gordon	Independent member (voting)
Deborah Goodyer	Independent member (voting)
Clr Patricia White	Councillor member (non-voting)
Clr Gillian Boyd	Alternate Councillor member (non-voting)]

All committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021 (216D Eligibility for appointment as chairperson—the Act, Sch 6, cl 19B, 216E Eligibility for appointment as independent member—the Act, Sch 6, cl 19B and 216F Persons taken not to be independent of council—the Act, Sch 6, cl 19B)*.

The appointment of independent ARIC members, ARIC Chair and non – voting Councillor member will be guided by the procedure on 'Recruitment of Members to Audit Risk and Improvement Committee' attached as schedule 3 to the ARIC Charter.

Members will be appointed for up to a four-year term in accordance to *Local Government (General) Regulation 2021, 216G Term of office—the Act, Sch 6, cl 19B*. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the committee. Members who have served an eight-year term (either as a member or as Chair) must have a two-year break from serving on the committee before being appointed again. To preserve the committee's knowledge of the Council, ideally, no more than one member should retire from the committee because of rotation in any one year.

The terms and conditions of each member's appointment to the committee 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 Chair's or an independent member's term, the governing body is to undertake an assessment of the Chair's or committee member's performance. Reappointment of the Chair or a committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021 (216D Eligibility for appointment as chairperson—the Act, Sch 6, cl 19B and 216E Eligibility for appointment as independent member—the Act, Sch 6, cl 19B and 216F Persons taken not to be independent of council—the Act, Sch 6, cl 19B)*.

Members of the committee 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 committee makes to the Council. At least one member of the committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the Council's financial reporting responsibilities to be able to contribute to the committee's consideration of the Council's annual financial statements.

## 6. Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the committee is to review and provide independent advice to the Council regarding the following aspects of the Council's 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 committee must also provide information to the Council for the purpose of improving the Council's performance of its functions.

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

The committee 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 committee 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 committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the committee 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 committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

## 7. Responsibilities of members

### Independent members

The Chair and members of the committee 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 (Chair)
- lead effective committee meetings (Chair), and
- oversee the Council's internal audit function (Chair).

### Councillor members

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

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

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

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

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

### **Conduct**

The chair and independent committee members are required to comply with the Council's code of conduct.

Complaints alleging breaches of the Council's code of conduct by the Chair or an independent committee 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 the Chair or independent committee member in response to a breach of the Council's code of conduct.

### **Conflicts of interest**

Once a year, committee 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 committee. Independent committee members are 'designated persons' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

Committee 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 committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

## **8. Work plans**

The work of the committee is to be thoroughly planned and executed. 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.

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

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.

The committee 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 committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the committee.

When considering whether to vary the strategic or annual work plans, the committee 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.



## 9. Reporting

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

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

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 the Council is performing.

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

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.

## 10. Administrative arrangements

### Meetings

The committee will meet at least 4 times per year, and where required, hold special meeting to review Council's financial statement in accordance to *Local Government (General) Regulation 2021* (216J Meetings of Audit, Risk and Improvement Committee—the Act, Sch 6, cl 19B)

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

Committee meetings can be held in person, by telephone or videoconference, with in person attendance required for at least 2 of the scheduled quarterly meetings. Proxies are not permitted to attend meetings if a committee member cannot attend.

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

The Chair of the committee will be consulted on items for inclusion on the agenda for each committee meeting. Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

The following officers should attend committee meetings as non-voting observers:

Mayor (standing invite)

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Chief Executive Officer  
Chief Internal Auditor  
Audit & Assurance Officer  
Lead Enterprise Risk Management  
Manager Business Assurance & Risk  
Director City Performance  
Director City Development  
Director City Services  
Director City Futures  
Director City Lifestyle  
Executive Manager Shoalhaven Water  
Chief Financial Officer  
Chief Information Officer

The external auditor (or their representative) is to be invited to each committee meeting as an independent observer.

The Chair can request the any employee/contractor of the council and any subject matter expert to attend committee 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 committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

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

#### **Dispute resolution**

Members of the committee 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 committee 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.

#### **Administrative Support**

The Chief Internal Auditor will provide administrative support to the committee in accordance with *Local Government (General) Regulation 2021 (216L Assistance to Audit, Risk and Improvement Committee—the Act, Sch 6, cl 19B)*. The Chief Internal Auditor will ensure the agenda for each meeting and supporting papers are circulated at least 1 week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within 3 weeks of the meeting to each member.

#### **Resignation and dismissal of members**

Where the Chair or a committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give 3 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 Chair or committee member.

The governing body can, by resolution, terminate the appointment of the Chair or an independent committee 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.

This should be done in accordance with *Local Government (General) Regulation 2021* (216H Removal of members—the Act, Sch 6, cl 19B)

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

## 11. Remuneration

In accordance with *Local Government (General) Regulation 2021* (216I Remuneration—the Act, Sch 6, cl 19B), the independent members of the Committee will be entitled to remuneration on the basis of a fee determined by Council. In addition to the fee, independent members will be paid for all expenses incurred in relation to their responsibilities as members of the Committee, including travel costs, accommodation, attendance at inductions, training and personal development opportunities. The fee will be payable following each meeting of the Committee, and upon receipt of an invoice. In the absence of the Council appointed Chair at a meeting, the Committee member who chairs the meeting will be paid the usual Committee member fee.

## 12. Review arrangements

At least once every Council term, the governing body must review or arrange for an external review of the effectiveness of the committee.

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

For further information on Council's audit, risk and improvement committee, contact Internal Audit Team on [internalaudit@shoalhaven.nsw.gov.au](mailto:internalaudit@shoalhaven.nsw.gov.au) or by phone 1309 293 111.

Reviewed by Chair of the audit, risk and improvement committee

13 May 2024

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

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[date]

[resolution reference]

Next review date: *ARIC – June 2025*

CL24.159 - Attachment 2

## Schedule 1: Audit, risk and improvement committee responsibilities

Note: The responsibilities of the Audit, Risk and Improvement Committee is limited by the information provided to the committee in accordance with the workplan.

### 1. Audit

#### 1.1 Internal audit

- 1.1.1 Provide overall strategic oversight of internal audit activities
- 1.1.2 Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit
- 1.1.3 Oversee, as far as is practicable, the work programs of internal audit and other assurance and review functions
- 1.1.4 Review and advise the Council:
  - (i) on whether the Council is providing the resources necessary to successfully deliver the internal audit function
  - (ii) if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
  - (iii) 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
  - (iv) of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function
  - (v) if the Council's internal audit activities are effective, including the performance of the Chief Internal Auditor and the internal audit function
  - (vi) of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
  - (vii) of the implementation by the Council of these corrective actions
  - (viii) on the appointment of the Chief Internal Auditor and external providers, and
  - (ix) if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

#### 1.2 External audit

- 1.2.1 Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit
- 1.2.2 Oversee as far as is practicable, the work programs of internal audit and external audit
- 1.2.3 Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- 1.2.4 Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations
- 1.2.5 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

### 2. Risk

#### 2.1 Risk management

2.1.1 Review and advise the Council:

- (i) if the Council's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- (ii) whether the Council is providing the resources necessary to successfully implement its risk management framework
- (iii) 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
- (iv) if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting
- (v) of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- (vi) whether a sound approach has been followed in applying risk management methodology into plans for major projects or undertakings
- (vii) whether appropriate policies and procedures are in place for the management and exercise of delegations
- (viii) if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- (ix) if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- (x) of the adequacy of staff training and induction in risk management
- (xi) how the Council's risk management approach impacts on the Council's insurance arrangements
- (xii) of the effectiveness of the Council's management of its assets, and
- (xiii) of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

**2.2 Internal controls**

2.2.1 Review and advise the Council:

- (i) 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
- (ii) whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- (iii) whether appropriate policies and procedures are in place for the management and exercise of delegations
- (iv) whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- (v) if the Council's monitoring and review of controls is sufficient, and
- (vi) if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

**2.3 Compliance**

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

- (i) if the Council has appropriately considered legal and compliance risks as part of the Council's risk management framework

- (ii) how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- (iii) whether appropriate processes are in place to assess compliance.

#### 2.4 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.

#### 2.5 Financial management

Review and advise the Council:

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

#### 2.6 Governance

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

- (i) decision-making processes
- (ii) implementation of governance policies and procedures
- (iii) reporting lines and accountability
- (iv) assignment of key roles and responsibilities

- (v) committee structure
- (vi) management oversight responsibilities
- (vii) human resources and performance management activities
- (viii) reporting and communication activities
- (ix) information and communications technology (ICT) governance, and
- (x) management and governance of the use of data, information and knowledge

### **3. Improvement**

#### **3.1 Strategic planning**

Review and advise the Council:

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

#### **3.2 Service reviews and business improvement**

- (i) 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)
- (ii) Review and advise the Council:
  - a) 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
  - b) if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
  - c) how the Council can improve its service delivery and the Council's performance of its business and functions generally

#### **3.3 Performance data and measurement**

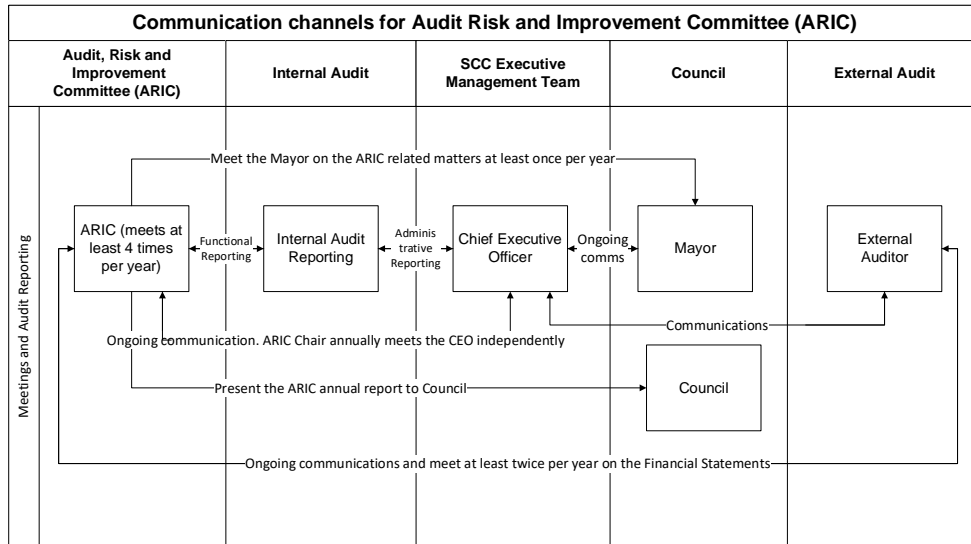
Review and advise the Council:

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



## Schedule 2: Audit Risk and Improvement Committee Communications Guidelines

The following diagram depicts communication channels:



### Chief Internal Auditor:

- Provide administrative support to ARIC to meet the ARIC Charter requirements.
- Will report to the ARIC with full independence from Council, management and staff.
- Will seek information from staff or request staff to report on certain matters to the ARIC.
- Will provide feedback to staff from decisions / recommendations by the ARIC.
- Attends all ARIC meetings.

### Chief Executive Officer:

- Provides “administration” supervision and direction to the Chief Internal Auditor. Reports directly to the ARIC on strategic risks as requested by the ARIC.
- Attends ARIC meetings (unless excluded by Committee).

### Executive Management Team (Directors):

- Report directly to the ARIC on strategic risks within their responsibility areas as requested by the ARIC or General Manager.
- Attend ARIC meetings (unless excluded by Committee).

### Audit Risk and Improvement Committee:

- Meets minimum four times per year.
- Undertakes role in accordance with ARIC Terms of Reference (Charter).
- Reports annually to Council on its annual activities. The ARIC Chair presents the ARIC annual report to Council.

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- ARIC Chair meets with Mayor at least once per annum.
- ARIC Chair meets with the Chief Executive Officer regularly.
- Meets the external auditor at least twice per year to discuss the financial statements.

CL24.159 - Attachment 2

### **Schedule 3: Procedure – Recruitment of Members to Audit, Risk and Improvement Committee (ARIC)**

#### **Purpose:**

This procedure documents the expected process for the appointment of independent member, Chair and Councillor non-voting member to the ARIC.

#### **Procedure**

The process will be coordinated by the Chief Internal Auditor. The Chief Internal Auditor will have no decision making rights.

ARIC independent members are appointed on a staggered basis to ensure continuity and succession.

#### Recruitment of an Independent ARIC Member

- An eligibility criteria for appointment for independent ARIC member will be established as per *Local Government (General) Regulation 2021 (216D Eligibility for appointment as chairperson—the Act, Sch 6, cl 19B, 216E Eligibility for appointment as independent member—the Act, Sch 6, cl 19B and 216F Persons taken not to be independent of council—the Act, Sch 6, cl 19B)*. The applicant will be required to demonstrate how they meet the legislative requirements. A current resume and referees will be required.
- A panel for selection and recruitment will be established. The panel will consist of the CEO, The Mayor (or a nominated Councillor) and the ARIC Chair (or a nominated in an advisory role).
- An expression of interest (EOI) will be advertised through various recruitment channels (seek, Council's website, Council's social media, local newspaper, advertisement through Institute of Internal Auditors and circulation of EOI on professional network bodies such as Local Government Internal Audit Network).
- In instances where Council had received generic EOI's from member of public which had been received through Records section, those persons would be notified via email on the current vacancy at the time of advertisement.
- Advertisement period will be 3 weeks. No late submissions will be considered unless there is no merit based applications received.
- Upon closing of the advertisement, all involved in the selection process will be required to complete conflict of interest declaration form.
- Applications will be shortlisted and selected candidate/s will be offered an interview.
- Where required, referee check will be conducted by the ARIC Chair.
- The panel will make an assessment and recommend the person for appointment. A selection report will be prepared.

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- The selection report will be provided at the Council meeting for approval of the selected member to the ARIC.
- The period of appointment will be for 2 to 4 years with an option to extend for a further 4 years.

Appointment of a Councillor non-voting member

- When core committees are determined by Council, the Council will appoint and reconfirm the non-voting Councillor member to ARIC. An alternate non-voting Councillor member can be appointed to the ARIC.

Nomination and selection of Independent ARIC Chair

- Upon vacancy, a nomination process will be called via an email prior to the ARIC meeting by the CEO or appointed delegate.
- Only independent members will be invited in the nomination process.
- The nomination process will include a confirmation on whether nominees meet the ARIC Chair criteria as per the *Local Government (General) Regulation 2021 (216D Eligibility for appointment as chairperson—the Act, Sch 6, cl 19B and 216F Persons taken not to be independent of council—the Act, Sch 6, cl 19B)*.
- At the beginning of the ARIC meeting, the ARIC Chair will be determined.
- If only one nomination is received, that person is declared as elected
- If more than one nomination is received, the independent ARIC members will be asked to resolve whether the election is to take place by open voting (i.e. show of hands) or ordinary ballot (i.e. written votes recorded and provided in secret).
- In the event of equal nominations, the position shall be determined by draw. The name drawn by the CEO will be appointed to the position.
- A report on the appointment of ARIC Chairperson will be provided at the Council meeting for approval.
- The period of appointment shall be equivalent to the existing term of the appointment as an independent ARIC member, as stipulated in the Guidelines.

Shoalhaven City Council – Audit Risk and Improvement Committee Terms of Reference (Charter)



Address all correspondence to:  
**The Chief Executive Officer**  
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# Internal Audit Charter

Version number	1.0
ARIC Endorsement <i>(Minute and Date)</i>	13 May 2024
Council Adoption <i>(Minute and Date)</i>	
Next Review Date:	June 2025
Directorate:	CEO Directorate
Record Number:	D24/202739

Shoalhaven City Council – Internal Audit Charter

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Shoalhaven City Council – Internal Audit Charter

## 1. Introduction

Shoalhaven City Council has established the Internal Audit Department as a key component of the Council's governance and assurance framework, in compliance with 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*. This charter provides the framework for the conduct of the Internal Audit Department in the Council and has been approved by the governing body taking into account the advice of the Council's Audit, Risk and Improvement Committee (ARIC) or committee.

## 2. Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes<sup>1</sup>.

Internal audit provides an independent and objective review and advisory service to provide advice to the governing body, Chief Executive Officer and audit, risk and improvement committee 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.

The scope of Internal Audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in the Council to manage risks and promote effective and efficient governance and performance.

Internal Audit services may include:

- Assurance Services – objective examination of evidence for the purpose of providing an independent assessment of risk management, control and governance processes.
- Advisory Services – advisory and related activities, the nature and scope of which are agreed upon with the governing body and/or senior management and the ARIC. Advisory services are intended to add value and improve business operations."

Internal Audit will offer a service catalogue, including:

- Internal audit engagements with a compliance, financial or performance improvement focus.
- Management requested services where business areas within the Council may request Internal Audit services, usually in response to an issue or an emerging risk.
- Multi-stage audit engagements at key project milestones.

## 3. Independence

Council's Internal Audit Department is to be independent of the Council so it can provide an unbiased assessment of the Council's operations and risk and control activities in accordance

<sup>1</sup> As defined by the International Standards for the Professional Practice of Internal Auditing (2017)



Shoalhaven City Council – Internal Audit Charter

with *Local Government (General) Regulation (216P Internal audit co-ordinator—the Act, Sch 6, cl 8A)*

Internal Audit Department reports functionally to the Council's ARIC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Chief Executive Officer to facilitate day-to-day operations. Internal audit activities are not subject to direction by the Council and the Council's management has no role in the exercise of the Council's internal audit activities.

The ARIC 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 ARIC Chair by resolution. The ARIC Chair is only required to provide the information requested by the governing body where the ARIC 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 ARIC Chair before appointing or making decisions affecting the employment of the Chief Internal Auditor.

Where the Council's ARIC Chair 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 governing body.

The Chief Internal Auditor is to confirm at least annually to the ARIC on the independence of internal audit activities from the Council.

#### 4. Authority

Council authorises the Internal Audit Department 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 Department to undertake its responsibilities. This is in accordance with *Local Government (General) regulations 216Q Persons exercising internal audit functions—the Act, Sch 6, cl 8A*.

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 Council, including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to the Internal Audit Department are not to be made publicly available. The Internal Audit Department may only release Council information to external parties that are assisting the Internal Audit Department 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.

## 5. Role

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

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

### Chief Internal Auditor

#### In-house internal audit function

Council's Internal Audit Department is to be led by a member of Council's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Council and the ARIC. 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 Department
- managing the Council's internal audit budget
- Coordinating any outsourced audits; acting as a liaison, contract management and oversight of external providers
- supporting the operation of the Council's ARIC
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the ARIC
- monitoring the Council's implementation of corrective actions that arise from the findings of audits
- implementing the ARIC's annual work plan and four-year strategic work plan
- ensuring the Council'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

### Internal Audit Team

#### In-house internal audit team

Members of the Internal Audit Department are responsible to the Chief Internal Auditor.

Individuals that perform internal audit activities for Council must have:

- an appropriate level of understanding of the Council's culture, systems and processes

Shoalhaven City Council – Internal Audit Charter

- the skills, knowledge and experience necessary to conduct internal audit activities in the Council
- effective interpersonal and communication skills to ensure they can engage with Council staff effectively and collaboratively, and
- honesty, integrity and diligence.

## 6. Performing internal audit activities

The work of the Internal Audit Department is to be thoroughly planned and executed. The Council's ARIC 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.

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 risk management standard.

The Chief Internal Auditor is to provide the findings and recommendations of internal audits to the ARIC 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 Council's progress in implementing corrective actions.

The Chief Executive Officer, in consultation with the ARIC, is to develop and maintain policies and procedures to guide the operation of the Council's Internal Audit Department.

The Chief Internal Auditor is to ensure that the ARIC 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 implementing corrective actions.

## 7. Conduct

Internal audit personnel must comply with the Council's code of conduct. Complaints about breaches of Council's code of conduct by internal audit personnel 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 Council's ARIC before any disciplinary action is taken against the Chief Internal Auditor in response to a breach of the Council'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.

## 8. Administrative arrangements

### **Audit, risk and improvement committee meetings**

The Chief Internal Auditor will attend ARIC 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 ARIC at least once per year.

The Chief Internal Auditor can meet with the ARIC Chair 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**

Internal Audit Department should maintain an effective working relationship with the Council and the ARIC 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 Department and the Council, the dispute is to be resolved by the Chief Executive Officer and/or ARIC. Disputes between the Internal Audit Department and the ARIC are 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.

## 9. Review arrangements

The Council's ARIC must review the performance of the internal audit function each year and report its findings to the governing body. A strategic review of the performance of the Internal Audit Department 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 in accordance with Local Government (General) Regulation (216R Audit, Risk and Improvement Committee to oversee and report on internal audit activities—the Act, s 428A(2)(i)).

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

For further information on Council's internal audit activities, contact Internal Audit Team on [internalaudit@shoalhaven.nsw.gov.au](mailto:internalaudit@shoalhaven.nsw.gov.au) or by phone 1309 293 111.

Shoalhaven City Council – Internal Audit Charter

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Reviewed by Chief Internal Auditor

13 May 2024

Reviewed by chairperson of the Council's ARIC

13 May 2024

Reviewed by Chief Executive Officer

13 May 2024

Reviewed by Council in accordance with a resolution of the governing body

[date]

[resolution reference]

CL24.159 - Attachment 3

## 10. SCHEDULE 1: INTERNAL AUDIT FUNCTION RESPONSIBILITIES

*The below responsibilities of the Internal Audit Department is limited by the audit work undertaken during the year, scope of the audits, budget and information availability at the time of reviews.*

### AUDIT

#### Internal audit

- Conduct internal audits as directed by the Council's audit, risk and improvement committee.
- Implement the Council's annual and four-year strategic internal audit work plans.
- Monitor the implementation by the Council of corrective actions.
- Assist the Council 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

- 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 the Council's implementation of audit recommendations.
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides.

### RISK

#### Risk management

Review and advise:

- 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'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

Shoalhaven City Council – Internal Audit Charter

- 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'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 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 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's 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 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**

Assist the Audit, Risk and Improvement Committee as needed to review and advise:

- 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:

Shoalhaven City Council – Internal Audit Charter

- 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 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 of the adequacy of the Council governance framework, including the Council'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 Council'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 Council is successfully implementing and achieving its IP&R objectives and strategies.

**Service reviews and business improvement**

Review and advise:



Shoalhaven City Council – Internal Audit Charter

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- 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's performance of its business and functions generally

**Performance data and measurement**

Review and advise:

- 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.

Shoalhaven City Council – Internal Audit Charter

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**The Chief Executive Officer**  
PO Box 42, Nowra NSW 2541  
[shoalhaven.nsw.gov.au/contact](http://shoalhaven.nsw.gov.au/contact)  
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## Monthly Investment Review



April 2024

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125 Middle Harbour Road, East Lindfield NSW 2070

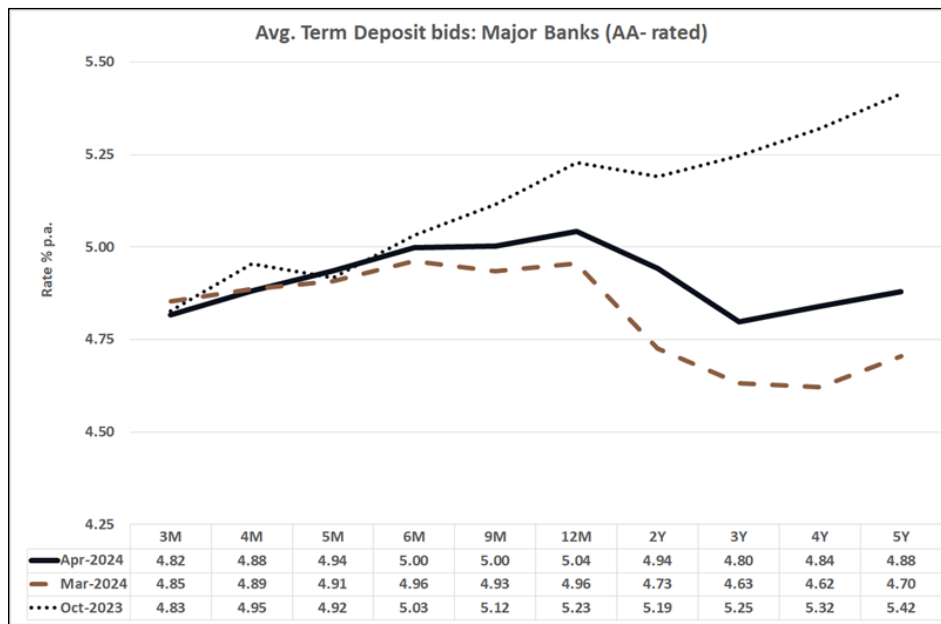
CL24.161 - Attachment 1



## Market Update Summary

In April, risk assets finally parred back some of their strong gains in recent months. Inflation readings in the US have been higher than anticipated, pushing back the US Fed’s expectations of when interest rates would fall. Bonds were subsequently sold off, with longer-term yields rising significantly.

Over April, there was a flattening of the deposit curve at the longer-end, reflective of the movement in global bond yields. Markets have seemingly pushed back expectations of the first rate cut to at least late 2024, if not early 2025. On average, major bank deposit rates were around 15-20bp higher at the long-end (2-5 year) part of the curve (compared to March) in response to market movements.



Source: Imperium Markets

With a global economic downturn and interest rate cuts being priced over the next 12 months, investors should consider diversifying and taking an ‘insurance policy’ against a potentially lower rate environment by investing across 2-5 year fixed deposits, targeting rates above 5% p.a. (small allocation only).



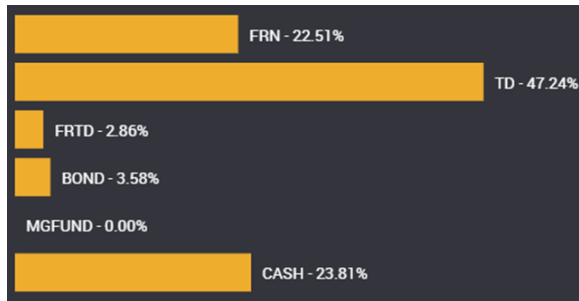
## Shoalhaven City Council 's Portfolio & Compliance

### Asset Allocation

The majority of the portfolio is directed to cash or cash notice accounts followed by fixed and floating rate term deposits. The remainder of the portfolio is directed to liquid senior FRNs and fixed bonds.

Senior FRNs remain relatively attractive as spreads have generally widened over the past 2 years. New issuances may be considered again on a case by case scenario. In the interim, staggering a mix of fixed deposits between 9-12 months to 3 years remains a more optimal strategy to maximise returns over a longer-term cycle.

With interest rate cuts and a global economic downturn being priced in coming years, investors can choose to allocate a small proportion of longer-term funds and undertake an insurance policy against any potential future rate cuts by investing across 2-5 year fixed deposits, locking in and targeting yields close to or above 5% p.a.





**Term to Maturity**

All maturity limits (minimum and maximum) comply with the Investment Policy. Short-Medium Term (1-2 years) assets account for around 12% of the total investment portfolio, with capacity of ~\$81m remaining.

Once the immediate capital projects are completed, we recommend a proportion of longer-dated funds be allocated to 1-3 year fixed term deposits in combination with any attractive new FRNs (3-5 years) as they come to market (refer to respective sections below).

Compliant	Horizon	Invested (\$)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available (\$)
✓	0 - 90 days	\$59,261,674	42.42%	0%	100%	\$80,440,019
✓	91 - 365 days	\$37,101,714	26.56%	0%	100%	\$102,599,979
✓	1 - 2 years	\$17,086,081	12.23%	0%	70%	\$80,705,104
✓	2 - 5 years	\$26,252,224	18.79%	0%	50%	\$43,598,622
✓	5 - 10 years	\$0	0.00%	0%	25%	\$34,925,423
		<b>\$139,701,693</b>	<b>100.00%</b>			



### Counterparty

As at the end of April 2024, all counterparty exposures comply within the Policy limits. Capacity limits are also dependent on the movement in the cash balances. Overall, the portfolio is well diversified across the entire credit spectrum, including some exposure to the regional bank (lower rated) ADIs.

Compliant	Issuer	Rating	Invested (\$)	Invested (%)	Max. Limit (%)	Available (\$)
✓	DBS Cov	AAA	\$1,001,589	0.72%	100.00%	\$138,700,104
✓	Suncorp Cov	AAA	\$2,012,210	1.44%	100.00%	\$137,689,483
✓	ANZ	AA-	\$2,510,653	1.80%	100.00%	\$137,191,040
✓	CBA	AA-	\$32,560,950	23.31%	100.00%	\$107,140,743
✓	HSBC Bank	AA-	\$2,010,680	1.44%	100.00%	\$137,691,013
✓	NAB	AA-	\$37,004,696	26.49%	100.00%	\$102,696,997
✓	Northern Terr.	AA-	\$5,000,000	3.58%	100.00%	\$134,701,693
✓	NSW (SIRA)	AA+	\$4,115,000	2.95%	100.00%	\$135,586,693
✓	Westpac	AA-	\$4,000,000	2.86%	100.00%	\$135,701,693
✓	Macquarie	A+	\$3,992,772	2.86%	100.00%	\$135,708,921
✓	Rabobank	A+	\$4,003,280	2.87%	100.00%	\$135,698,413
✓	Suncorp	A+	\$16,044,989	11.49%	100.00%	\$123,656,703
✓	ING Bank	A	\$19,000,000	13.60%	100.00%	\$120,701,693
✓	Bendigo-Adel.	A-	\$2,000,000	1.43%	20.00%	\$25,940,339
✓	AMP Bank	BBB+	\$2,343,161	1.68%	5.00%	\$4,641,924
✓	Newcastle PBS	BBB+	\$2,101,714	1.50%	5.00%	\$4,883,371
			<b>\$139,701,693</b>	<b>100.00%</b>		

In February 2024, ANZ’s takeover of Suncorp was given the green light by the Australian Competition Tribunal (ACT), six months after the Australian Competition and Consumer Commission (ACCC) blocked the deal on the grounds that it could lessen competition in the mortgage market. As such, Suncorp’s assets are likely to be upgraded to AA- in the near future by S&P (but also, they may be flagged as an ADI lending to the fossil fuel industry in future).

In early April 2024, BoQ and Bendigo-Adelaide were upgraded by S&P from BBB+ to A-. Separately, several other regional banks were upgraded from BBB to BBB+, as well as BBB- to BBB. This has resulted in increased capacity to invest in some of these individual institutions from a counterparty perspective, as well as the aggregate “BBB” rated category (see Credit Quality section).



**Credit Quality**

The portfolio is well diversified from a credit ratings perspective. The portfolio is predominately invested amongst the investment grade ADIs (BBB- or higher). There is no exposure to Unrated assets now following the disposal of the TCorp Long-Term Growth Fund.

All ratings categories are within the Policy limits:

Compliant	Credit Rating	Invested (\$)	Invested (%)	Max. Limit (%)	Available (\$)
✓	AAA Category	\$3,013,799	2%	100%	\$136,687,894
✓	AA Category	\$87,201,978	62%	100%	\$52,499,715
✓	A+ to A Category	\$43,041,041	31%	100%	\$96,660,651
✓	A- Category	\$2,000,000	1%	40%	\$53,880,677
✓	BBB+ to BBB Category	\$4,444,874	3%	30%	\$37,465,634
✓	BBB- & NR Category	\$0	0%	5%	\$6,985,085
✓	NSW TCorp LTGF	\$0	0%	100%	\$139,701,693
		<b>\$139,701,693</b>	<b>100.00%</b>		

CL24.161 - Attachment 1





### Performance

Council's performance for the month ending April 2024 (excluding cash) is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	0.35%	1.06%	2.15%	3.54%	4.21%
AusBond Bank Bill Index	0.35%	1.07%	2.17%	3.62%	4.24%
T/D Portfolio	0.42%	1.23%	2.40%	3.82%	4.37%
FRT/D Portfolio	0.44%	1.30%	2.62%	4.42%	5.31%
FRN Portfolio	0.43%	1.26%	2.53%	4.26%	5.11%
Bond Portfolio	0.09%	0.27%	0.54%	0.90%	1.08%
<b>Council's Fixed Interest<sup>^</sup></b>	<b>0.41%</b>	<b>1.19%</b>	<b>2.35%</b>	<b>3.81%</b>	<b>4.42%</b>
<b>Council's Total Portfolio<sup>^^</sup></b>	<b>0.41%</b>	<b>1.73%</b>	<b>4.28%</b>	<b>5.21%</b>	<b>6.00%</b>
<b>Relative (to Bank Bills)</b>	<b>0.06%</b>	<b>0.66%</b>	<b>2.11%</b>	<b>1.58%</b>	<b>1.76%</b>

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

<sup>^^</sup> Total portfolio returns includes historical holdings in the TCorp LTGF.

Performance (Annualised)	1 month	3 months	6 months	FYTD	1 year
Official Cash Rate	4.35%	4.35%	4.35%	4.25%	4.21%
AusBond Bank Bill Index	4.37%	4.40%	4.40%	4.35%	4.24%
T/D Portfolio	5.23%	5.09%	4.87%	4.59%	4.37%
FRT/D Portfolio	5.48%	5.36%	5.33%	5.32%	5.31%
FRN Portfolio	5.32%	5.19%	5.14%	5.12%	5.11%
Bond Portfolio	1.12%	1.09%	1.09%	1.08%	1.08%
<b>Council's Fixed Interest<sup>^</sup></b>	<b>5.08%</b>	<b>4.92%</b>	<b>4.77%</b>	<b>4.58%</b>	<b>4.41%</b>
<b>Council's Total Portfolio</b>	<b>5.08%</b>	<b>7.18%</b>	<b>8.77%</b>	<b>6.26%</b>	<b>6.00%</b>
<b>Relative (to Bank Bills)</b>	<b>0.70%</b>	<b>2.78%</b>	<b>4.37%</b>	<b>1.91%</b>	<b>1.76%</b>

<sup>^</sup>Council's Fixed Interest portfolio returns excludes Council's cash account holdings.

<sup>^^</sup> Total portfolio returns includes historical holdings in the TCorp LTGF.

For the month of April, the total portfolio (excluding cash) provided a return of +0.41% (actual) or +5.08% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.35% (actual) or +4.37% p.a. (annualised). The longer-term positive performance continues to be anchored by the handful of deposits that were originally placed for terms greater than 12 months.



**Recommendations for Council**

**AMP Business Saver & Notice Account**

We note the AMP Business Saver and AMP 31 Day Notice Account are now sub optimal investments given the rise in deposit yields in recent months. We recommend switching into short-dated fixed deposits with the major banks yielding a considerably higher rate of return, or simply just redeem to replenish capital reserves.

**Term Deposits**

As at the end of April 2024, Council’s deposit portfolio was yielding 5.07% p.a. (down 1bp from the previous month), with a weighted average duration of ~247 days (~8 months).

Going forward, once immediate capital projects are completed, a more optimal strategy would be staggering deposits across 9–24 months terms – this is likely to earn up to ¼–½% p.a. higher compared to shorter tenors in a normal market environment. There is growing belief that interest rate cuts and a global economic downturn is forthcoming and so locking in rates close to or above 5% p.a. across 1-5 year tenors may provide some income protection against a lower rate environment.

Please refer to the section below for further details on the Term Deposit market.

**Securities**

Primary (new) Senior FRNs (with maturities between 3–5 years) continue to be appealing (particularly for those investors with portfolios skewed towards fixed assets) and should be considered on a case by case scenario. Please refer to the section below for further details on the FRN market.

**Council’s FRN Portfolio**

We recommend that Council retains all its FRNs at this stage (most are marked at a slight discount to par at month-end). We will continue to monitor them individually and will advise when it is appropriate to sell to boost the overall returns of the portfolio in future.

Should there be a compelling new issue available, the following two FRNs are up for consideration to be sold:

Issuer	Rating	Maturity Date	ISIN	Face Value	Trading Margin	~Capital Price (\$)	~Unrealised Gain (\$)
CBA	AA-	14/01/2027	AU3FN0065579	\$2,750,000	+66.0bp	\$100.071	\$1,939
NAB	AA-	25/02/2027	AU3FN0066528	\$4,000,000	+67.0bp	\$100.117	\$4,696



**Council's Senior Fixed Bonds**

In September 2020, Council invested into the following NTTC (AA-) fixed bonds:

Investment Date	Maturity Date	Principal	Rate % p.a.	Interest Paid
15/09/2021	15/12/2024	\$3,000,000	1.00%	Annually
15/09/2021	15/12/2025	\$2,000,000	1.10%	Annually
<b>Totals / Wgt. Avg.</b>		<b>\$5,000,000</b>	<b>1.04%</b>	

We believe this was prudent at the time of investment given the low rate environment and particularly after the RBA's easing decision in early November 2020 to 0.10% and their forward guidance towards official interest rates (no rate rises "until at least 2024").

The NTTC bonds are a 'retail' offering and not 'wholesale' issuances. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, they are considered to be a hold-to-maturity investment and will be marked at par value (\$100.00) throughout the term of investment.



## Term Deposit Market Review

### Current Term Deposits Rates

As at the end of April, we see value in the following:

ADI	LT Credit Rating	Term	Rate % p.a.
Rabobank	A	5 years	5.35%
Bank of China, Sydney	A	2-3 years	5.35%
Rabobank	A	4 years	5.25%
Westpac	AA-	5 years	5.20%
NAB	AA-	2 years	5.20%
Westpac	AA-	2 years	5.19%
Westpac	AA-	3 years	5.13%
NAB	AA-	3-5 years	5.10%
ING	A	5 years	5.10%
P&N Bank	BBB+	2 years	5.00%

The above deposits are suitable for investors looking to maintain diversification and lock-in a slight premium compared to purely investing short-term.

For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (*we stress that rates are indicative, dependent on daily funding requirements and different for industry segments*):



ADI	LT Credit Rating	Term	Rate % p.a.
ICBC	A	12 months	5.35%
BankVIC	BBB+	12 months	5.31%
Westpac	AA-	12 months	5.30%
NAB	AA-	11-12 months	5.25%
Westpac	AA-	11 months	5.23%
Hume Bank	BBB+	12 months	5.21%
NAB	AA-	8-10 months	5.20%
Bendigo-Adelaide	A-	9 months	5.19%
NAB	AA-	6-7 months	5.15%
Westpac	AA-	6 months	5.15%
BoQ	A-	6-12 months	5.15%
Bendigo-Adelaide	A-	12 months	5.14%
ING	A	12 months	5.10%
NAB	AA-	3 months	5.00%

If Council does not require high levels of liquidity and can stagger a proportion of its investments across the longer term horizons (1–5 years), it will be rewarded over a longer-term cycle. Investing a spread of 12 months to 3 year horizons is likely to yield, on average, up to ¼–½% p.a. higher compared to those investors that entirely invest in short-dated deposits (under 6–9 months).

With a global economic slowdown and interest rate cuts being priced over the next 12 months, investors should strongly consider diversifying by allocating some longer term surplus funds and undertake an insurance policy by investing across 2–5 year fixed deposits and locking in rates close to or above 5% p.a. This will provide some income protection with central banks now looking to cut rates by calendar year-end.





























































































































