



Department of **Local Government,  
Industry Regulation and Safety**

# **Implementation Guide: Audit, Risk and Improvement Committees**

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## Purpose and context

This Implementation Guide provides a roadmap for local governments to establish and operate Audit, Risk and Improvement Committees (ARICs) in compliance with the amended legislation and associated regulations.

The introduction of ARICs marks a significant reform, replacing existing audit committees with a new framework designed to enhance risk management and drive continuous improvement across local government operations.

## Legislative framework

- *Local Government Act 1995* (the Act).
- *Local Government Amendment Act 2024* (the 2024 Amendment Act).
- Local Government (Audit) Regulations 1996 (the Audit Regulations).
- Local Government (Administration) Regulations 1996 (the Administration Regulations).
- Local Government Regulations Amendment Regulations (No. 4) 2025 (the ARIC Amendment Regulations).

## Commencement requirements

ARICs must be established within 6 months of the commencement of section 87 of the 2024 Amendment Act, which introduces Part 7, Division 1A of the Act.

As the new provisions take effect on 1 January 2026, all local governments are required to have an ARIC in place by 30 June 2026.

Existing audit committees that already meet the legislative requirements will automatically transition to an ARIC under regulation 19 and 20 of the Audit Regulations (see regulation 15 of the ARIC Amendment Regulations).

## Transitional arrangements

### Overview

The transitional provisions are designed to ensure a smooth shift from existing audit committee structures and compliance audit processes to the new framework introduced by the ARIC Amendment Regulations. These arrangements apply from amendment day (1 January 2026).

### Establishment of deemed ARICs

If a local government's existing audit committee already meets the new membership requirements (as set out in section 7.1A(2)(a) and (b) of the Act, amended by the 2024 Amendment Act), and the following apply:

- No members were appointed under section 5.10(1)(b) of the Act – that is, no appointments were made by virtue of the entitlement provisions for the Mayor or President (section 5.10(4)).
- The presiding member, the deputy of the presiding member, and any deputy presiding member (if one is appointed) are not council members of any local government.

Then, on 1 January 2026, the existing audit committee is deemed to become the ARIC without further action.

Any delegations to the former audit committee automatically continue as delegations to the deemed ARIC.

Local governments still retain the option to form a new ARIC within 6 months of 1 January 2026 if they choose to replace the deemed ARIC.

### **Practical implications**

Local governments should review their existing audit committee structure and membership. If the current audit committee membership satisfies the criteria outlined above, no immediate changes are required.

While current delegations will continue to apply, local governments are encouraged to review whether these delegations remain appropriate and ensure that relevant policies or terms of reference for ARICs are updated.

Each local government may choose to retain its deemed ARIC or establish a new one. However, any audit committee that does not meet the required criteria will cease to exist after 1 January 2026 and must be formally constituted as an ARIC by 30 June 2026.

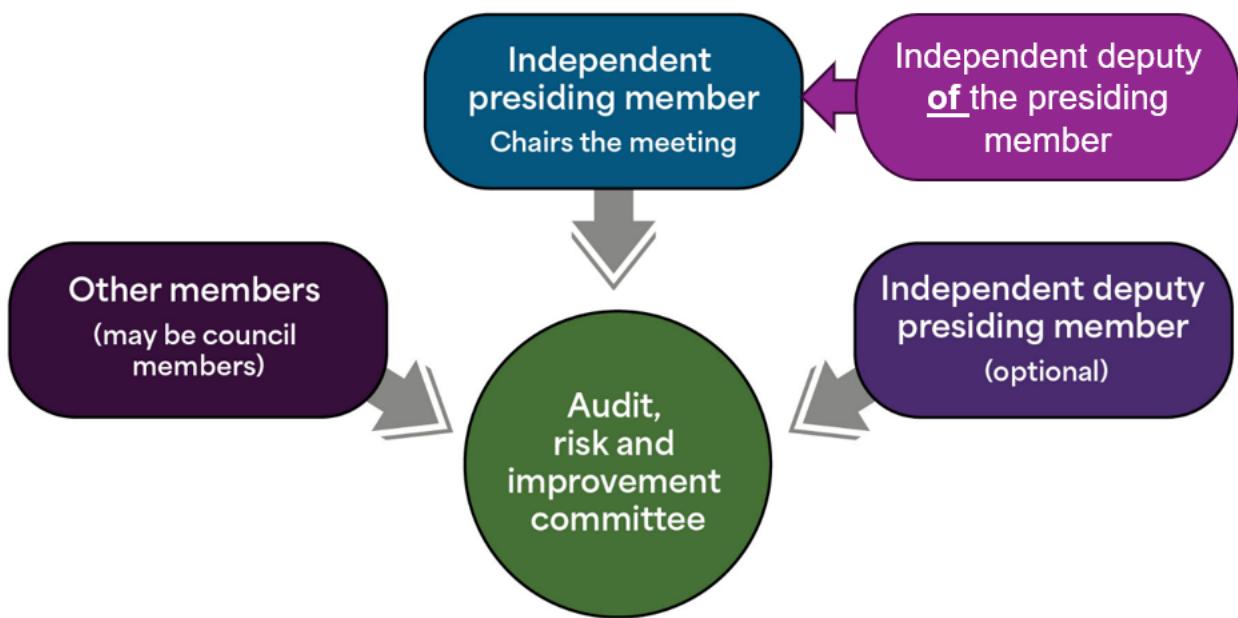
### **ARIC functions**

The functions of ARICs are to:

- receive and review reports related to local government compliance audits required under the Act and regulations;
- make recommendations to council on actions to be taken in relation to those reports;
- receive and review reports on the effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management;
- make recommendations to council on improvements to those systems and procedures;
- receive and review reports on any actions the local government is required to take under the Act, or has decided to take in relation to a compliance audit report or report into the effectiveness of the local government's systems and procedures; and
- perform any function conferred on the ARIC under the Regulations or another written law.

## Membership of ARICs

Under section 7.1A of the Act, each ARIC must have a minimum of three members. These include an independent presiding member, an independent deputy of the presiding member, and at least one other member as per the diagram below:



Council members are permitted to sit on an ARIC for their own local government or for another local government. However, they cannot hold the positions of presiding member, deputy of the presiding member, or deputy presiding member. This ensures that leadership roles within the ARIC remain independent.

Employees of a local government are not allowed to serve on that same local government's ARIC. Employees may, however, be appointed as a member of an ARIC for a different local government, provided they meet all other eligibility requirements.

When appointing deputies, it is important to note that the same individual cannot serve as both the independent deputy presiding member and the deputy of the presiding member.

Local governments that would like assistance in identifying an independent person to serve as presiding member or deputy of the presiding member may contact LGIRS at [goodgovernance@lgirs.wa.gov.au](mailto:goodgovernance@lgirs.wa.gov.au).

## Shared ARICs

Local governments have the option to establish a shared audit, risk and improvement committee (shared ARIC) under section 7.1CB(6) and (7) of the Act.

It may be beneficial for a local government to establish a shared ARIC in circumstances where:

- a local government is in a regional or remote area and may face challenges with attracting suitably qualified and experienced independent members;
- a local government is in close geographical proximity to another local government;

- a local government faces similar issues in their district with another local government;
- a shared ARIC provides increased access to independent members by enabling meetings to be scheduled on the same day;
- a local government may have more success with recruitment of independent members by pooling resources with another local government.

The requirements for shared ARICs are detailed in regulations 4 and 5 of the Audit Regulations, as amended by regulation 8 of the ARIC Amendment Regulations.

When forming a shared ARIC, participating local governments must enter into a formal agreement. This agreement should clearly set out how decisions will be made and include procedures for the removal of members. It must also address how powers and duties under relevant provisions of the legislation will be exercised collectively.

Employees of any participating local government are not permitted to serve as members of the shared ARIC. Furthermore, the presiding member, deputy for the presiding member, and deputy presiding members are to be independent and therefore cannot be council members of any participating local government. These appointments require an absolute majority decision from each local government involved.

Local governments may also share an independent member with another local government without establishing a shared committee.

All members of the shared ARIC are bound by a Code of Conduct. For council members, their own local government's adopted Code of Conduct applies. For non-council members, the shared ARIC agreement must specify which Code of Conduct will apply (adopted under section 5.104 by one of the participating local governments).

## **Electronic attendance**

Under regulation 14C of the Administration Regulations, electronic attendance at ARIC meetings is permitted but capped at no more than 50 per cent of meetings within any 12-month period.

## **Payment for independent members**

Independent members are entitled to sitting fees as determined by the Salaries and Allowances Tribunal and in accordance with section 5.100 of the Act. The current maximum is set at \$1,215 per meeting.<sup>1</sup>

In addition to sitting fees, independent members may claim reimbursement for actual travel expenses incurred in attending ARIC meetings.

## **Compliance audit workflow**

The below outlines the process for conducting, reviewing and submitting annual compliance audits in accordance with the Audit Regulations.

### **1. Annual audit**

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<sup>1</sup> Local Government Chief Executive Officers and Elected Council Members Determination No. 1 of 2025, page 19, [https://www.wa.gov.au/system/files/2025-12/local\\_govt\\_variation\\_no.\\_01\\_of\\_2025.pdf](https://www.wa.gov.au/system/files/2025-12/local_govt_variation_no._01_of_2025.pdf)

The CEO ensures a compliance audit of the local government's statutory compliance for the period 1 January to 31 December each year.

## **2. Prepare and submit return**

The CEO prepares a compliance audit return in the Inspector-approved form and provides it to the ARIC.

## **3. ARIC review and report**

The ARIC reviews the compliance audit return and reports the results and any recommendations to Council.

## **4. Council consideration and adoption**

Council considers the return and ARIC's review (including any recommendations), determines any required actions, and adopts the return (with or without amendments).

## **5. Submission to Inspector**

After adoption, the local government must submit to the Inspector by 31 March following the audit year (or 30 September 2026 for 2025 returns):

- the compliance audit return (signed by the Mayor/President and CEO);
- ARIC recommendations;
- relevant council meeting minutes;
- and any explanatory or qualifying information.

Refer to regulations 14 and 15 of the Audit Regulations (see regulation 14 of the ARIC Amendment Regulations).

## **CEO review and Council obligations**

Under regulation 17 of the Audit Regulations the CEO must review financial management, legislative compliance and risk systems at least once every four years and report results to the ARIC.

Under the Audit Regulations, the CEO is responsible for ensuring that the local government's governance systems remain effective and appropriate. Specifically, the CEO must periodically review the systems and procedures that support:

- financial management;
- legislative compliance; and
- risk management.

These reviews can be conducted at any time, but each area must be examined at least once in every four financial years. After completing a review, the CEO is required to report the results to the ARIC.

The ARIC plays a critical role in oversight and considers the CEO's review findings alongside other audit and compliance reports and provides recommendations to Council on any improvements or corrective actions that may be necessary (see regulation 16 of the Audit Regulations).

Council, in turn, must examine ARIC's reports and determine what actions are required to address identified issues.