

New reforms for audit committees introduced

News story

New regulations have been developed to support the implementation of new requirements for audit, risk and improvement committees.

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Regulations to support the implementation of new requirements for audit committees have been developed.

Following the commencement of the [Local Government Regulations Amendment Regulations \(No. 4\) 2025](#) (the ARIC Regulations) from 1 January 2026, audit committees are set to become Audit, Risk and Improvement Committees (ARICs) during a six-month transition period.

To strengthen governance and accountability, ARICs will be required to have an independent presiding member and independent deputy to the presiding member.

These changes aim to strengthen transparency by enhancing local governments' financial, risk, and governance practices, forming a key part of the State Government's broader [local government reforms](#).

Sections 86 to 90 of the *Local Government Amendment Act 2024* commence on 1 January 2026 to bring these changes into effect.

Transitional provisions have been included to enable existing audit committees that already meet the new requirements of independent members to automatically transition to ARICs. Local governments will have until 30 June 2026 to implement these changes.

Audit, Risk and Improvement Committee Regulations

The Audit, Risk and Improvement Committee Regulations:

- update references to an 'audit committee' to instead refer to an 'audit, risk and improvement committee'
- prescribe the functions of an ARIC to include a focus on risk management and continuous improvement
- amend the requirements for compliance audit returns, including by updating the table of prescribed statutory requirements
- enable two or more local governments to have a shared ARIC by agreement
- include modifying provisions that apply for the purposes of shared ARICs.
- Repeal previous references to the appointment of auditors, following the completion of the transition to all local government audits being conducted by the Auditor General.

The functions of ARIC include:

- receive and review reports related to local government compliance audits required under the *Local Government Act 1995* and regulations
- make recommendations to the 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, and make recommendations to the council on improvements to those systems and procedures
- receive and review reports on any actions the local government is required to take under the *Local Government Act 1995*, 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
- perform any function conferred on the ARIC prescribed in the regulations or another written law.

In addition, the existing requirement for the local government CEO to conduct a review of the local government's financial management systems and procedures every 3 years under regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (the Financial Management Regulations) is addressed by amended regulations 16 and 17.

The requirement under regulation 5(2)(c) of the Financial Management Regulations to conduct a review of the local government's financial management systems is now incorporated into regulation 17 of the Local Government (Audit) Regulations 1996 as part of a broader review of a local government's systems and procedures that must be reported to the ARIC.

These amendments streamline internal review processes and avoid duplication.

As part of the ARIC's role and function it is required to review the CEO's report of the internal review under regulation 17 and make recommendations to the council on actions that may be required to address any issues identified in the report.

Local government compliance timeline

From 1 January 2026:

- Confirm whether your current audit committee will be automatically deemed an ARIC under the amended regulations.
- If not a deemed ARIC, begin planning for the establishment of a new ARIC (or shared ARIC).
- Update review schedules and internal compliance calendars to reflect new requirements.
- Ensure terms of reference and relevant policies and procedures are updated to align with amended regulations.

By 30 June 2026:

- Establish an ARIC (or shared ARIC) with the required independent presiding member and deputy to the presiding member.

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