

**Audit, Risk & Improvement Committee  
and  
Internal Audit Annual Performance Report  
Year ended 30 June 2025**

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# 1 Background

The Division of Local Government issued Internal Audit Guidelines under Section 23A of the Local Government Act 1993 in September 2010. In accordance with these guidelines, Council approved the establishment of an Audit Committee. The committee has since being re-established as below.

The objective of the Audit, Risk and Improvement Committee (ARIC) is to provide independent assurance, oversight and assistance to Council on internal audit, risk management, internal controls, governance and external accountability.

In accordance with section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 and the Risk Management and Internal Audit Guidelines November 2023 require each council in NSW to have:

- an audit, risk and improvement Committee with responsibilities to keep under review:
  - 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,
  - any other matters prescribed by the regulations.
- A robust risk management framework, and
- An effective independent internal audit function.

The General Manager is responsible for providing an annual attestation statement on Council's compliance with the core requirements outlined above. The ARIC is required to review the attestation and confirm their support for the statement or if this is not the case, to provide their own attestation.

## Terms of Reference (TOR)

The ARIC operates in accordance with Terms of Reference (TOR) endorsed by ARIC at its 22 February 2024 meeting and adopted by Council at its 26 March 2024 Council meeting. The TOR is consistent with the model and sets out the roles and responsibilities of the Committee, its authority, membership and tenure, the operation of meetings and reporting responsibilities. It has been reviewed for alignment with the internal audit TOR which has been amended for the GIAS.

The Chair of the ARIC, in consultation with Council and other independent members maintain a strategic and annual work plan to guide the committee's work over the year.

Performance against the TOR including coverage of the matters outlined in section 428A/schedule 1 is outlined at 2.3.

## 2 Audit, Risk and Improvement Committee

### 2.1 Attendance & participation

In accordance with the Audit, Risk and Improvement Committee Charter, the Committee met 4 times including considering the outcomes of the financial audit for the year ended 30 June 2025.

Attendance at the 4 meetings held during the year was as follows:

Meeting Participants	No. of Meetings
<b>Voting Members</b>	
Ms Deborah Goodyer (Independent Chair)	4
Mr Frank Cordingley (independent member)	4
Mr Paul Dunn (independent member)	3
Councillor Leah Anderson (delegate to 13 September 2024)*	1
Councillor Jason Wells (delegate from 24 October 2024)*	1
<b>Non-voting observers</b>	
Tim Crosdale - General Manager	4
Tony Wickham - Governance Section Manager (Internal Audit Coordinator)	3
Chris Hilkemeijer - Enterprise Risk Manager or representative	4
Glen Peterkin - Financial Services Section Manager	4
Internal Audit provider representative	4
External Auditor representative	4
Financial Audit Director (Audit Office)	3

\*Local Government election held on 14 September 2024, which meant there was no councillor delegate appointment for the 10 October 2024 ARIC meeting.

The ARIC was supported and informed through reports to its meetings by council officers including:

- Director Corporate Strategy & Support (or representative).
- Director Community Futures (or representative).
- Director Facilities & Infrastructure (or representative).

### 2.2 Membership – capabilities, skills and performance

At 30 June 2025 the Audit, Risk and Improvement Committee maintained eligible membership of three independent members (including the Chairperson), and one non-voting councillor.

Non-voting attendees were the General Manager, and Governance Section Manager who is the Head of Internal Audit.

The committee composition aligns with the guidelines and includes a non-voting councillor observer to maintain the connection with the elected Council.

Processes and procedures undertaken by the committee (Administration, secretariat and meetings)

- A strategic and annual ARIC work plan guided the work of the committee and support council's compliance with the OLG regulation and guidelines.
- Minutes were recorded and provided to the next Council meeting including brief outline of discussions, advice and recommended actions.
- The committee maintains a table of actions arising from meetings including responsibility and timeframes.

## **2.3 Audit, Risk and Improvement Committee review and advice on Section 428A (Schedule 1) matters.**

Audit, Risk and Improvement Committee performance for the 2024 to 2025 year has been assessed against the roles and responsibilities outlined in the TOR with respect to risk management, governance, internal controls and external accountability and section 428A (schedule 1) matters required to be kept under review.

The assessment includes results of the annual survey and review of agenda items. Survey results indicated that:

- Meeting administration, scheduling and operation was appropriate, timely and productive.
- The committee membership possesses the requisite skills and capabilities, are well prepared, understand the matters under consideration and provide relevant and practical advice.
- There have been sound improvements in internal audit including planning, delivery and reporting.
- enhanced reporting by management to the committee including specific presentations and attendance to provide detailed explanations.

The evaluation provided in the following table and survey responses indicate that the ARIC is generally satisfied with information and reports presented and Council's performance in relation to the S428A (Schedule 1) matters.

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
AUDIT	<b>INTERNAL AUDIT</b> section 428A(2)(i)  Council has an effective internal audit function and receives maximum value from its internal audit activities.	25/7/24	Item 4.1.1 Internal audit reports from PKF <ul style="list-style-type: none"> <li>National Heavy Vehicle Accreditation Scheme (NHVAS)</li> <li>Transport for NSW DRIVES Annual Compliance Statement.</li> </ul> Item 4.1.2 Internal audit actions and implementation. Item 4.6.1 2023 to 2024 Internal Audit Report.
		10/10/24	Item 6.1 ARIC and IA annual performance report 2024. Item 7.1 Strategic and Annual Internal Audit plans 2025-2028 including IAP KPIs. Item 7.2 External Quality Assurance report on Internal Audit including improvement roadmap. Item 7.3 Internal Audit Actions Update.
		27/2/25	Item 6.1. Internal Audit Actions Update. Item 6.2. External Quality Assessment Improvement Roadmap Update.
		22/5/25	Item 6.1 Internal audit reports on Infrastructure damage or failure and Service reviews. Item 6.2 Internal audit findings update. Item 6.3 EQA improvement roadmap update.
	Observations on Council's performance	There has been an improvement in delivery of audits and monitoring of implementation of actions, as well as progress in actioning improvements outlined in the QAIP roadmap. Opportunities for enhancement of alignment of the IA plan with Councils' strategic risks were identified.	
	<b>EXTERNAL AUDIT</b> Section 428A(2)(d)  Council receives maximum value from its external audit activities.	25/7/24	Item 4.2.1- 4.2.3 Update on progress of audit – Prosperity Advisers Group.
		10/10/24	Item 8.2 Financial statements Item 10.2. Audit Office of NSW - Annual Work Program 2024-2027.
		27/2/25	Item 7.2. External Audit Update.
		22/5/25	Item 7.1 External Audit update.

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
RISK	<b>RISK MANAGEMENT</b> Section 428A(2)(b)  Council has an effective risk management framework and internal controls that successfully identify and manage the risks it faces.	25/7/24	Item 4.3.1 Enterprise Risk Report. Item 4.5.1 Summary of legal matters. Items 4.5.2 and 4.5.3 Reports on governance matters (PIDs, conduct and governance health check related risks).
		10/10/24	Item 9.1 Risk management update. Item 10.1 Governance update. Item 11.1 ICT and Cyber Security Update.
		27/2/25	Item 8 Risk Management Update Report. Item 10 ICT and Cyber Security Update.
		22/5/25	Item 7.1 External Audit update. Item 8.1 Risk management update. Item 10.1 ICT and Cyber Security update.
	Observations on Council's performance	Council's risk management framework is mature and comprehensive reporting is provided to satisfy the ARIC that internal controls are in place. Opportunities for improved reporting on Newcastle Airport risk framework were identified.	
	<b>COMPLIANCE FRAMEWORK</b> Section 428A(2)(a)  Council has an effective compliance framework that ensures it is complying with its legal obligations and other governance and contractual requirements when undertaking its functions.	25/7/24	Item 4.5.1 Summary of legal matters. Items 4.5.2 and 4.5.3 Reports on governance matters (PIDs, conduct and governance health check related risks).
		10/10/24	Item 10.1 Governance and compliance update.
		27/2/25	Item 4a – GM update – EPA matter. Item 9.1 Governance report.
		22/5/25	Item 6.1 Internal audit reports on Infrastructure damage or failure and Service reviews. Item 9.1 Governance update – Code of conduct breaches. Item 10.1 ICT and Cyber Security update.
	Observations on Council's performance	Council provided information and reports to support the ARIC view that an effective compliance framework and tools are operating to facilitate legislative and contractual compliance.	

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
	<b>FRAUD AND CORRUPTION CONTROL FRAMEWORK</b> Section 428A(2)(c)  Council has an effective fraud and corruption control framework in place that minimises the incidence of fraud and corruption.	25/7/24	Item 4.5.2 and 4.5.3 Reports on governance matters (PIDs, conduct and governance health check). Item 4.4.1 Finance update: Payroll review.
		10/10/24	Item 10.1 Governance update – Code of conduct breaches.
		27/2/25	Item 7.2 finance – Review of purchasing card transactions. Item 7.3. ICAC Recommendations on Corruption Prevention.
		22/5/25	Item 9.1 Governance update – Code of conduct breaches.
	Observations on Council's performance	On the basis of information and reports provided to the ARIC, Council maintains a risk management framework which includes management of fraud and corruption risk.	
	<b>GOVERNANCE FRAMEWORK</b> Section 428A(2)(e)  Council has an effective governance framework to ensure it is appropriately directing and controlling the management of the council.	25/7/24	Items 4.5.1 - 4.5.3 Reports on legal and governance matters (PIDs, conduct and governance health check).
		10/10/24	Item 9.1 Governance report.
		27/2/25	Item 7.2 finance – Review of purchasing card transactions and delegations and policy directive.
		22/5/25	Item 9.1 Governance update.
	Observations on Council's performance	Reports have been received to indicate effective governance frameworks are operating, including in relation to policy management, delegations, and management of legal matters.	



OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
	<b>FINANCIAL MANAGEMENT FRAMEWORK</b> Section 428A(2)(d)  Council has an effective financial management framework, sustainable financial position and positive financial performance.	25/7/24	Item 4.4.1 Finance update: Payroll review.
		10/10/24	Item 7.1. Financial Management.
		27/2/25	Item 7.1. Financial Management. Item 7.2 External audit – final management letter YE 2024.
		22/5/25	Item 6.1 Internal audit report on Service reviews Item 7.2 Financial management
	Observations on Council's performance	Reports by Finance, External Audit, Internal Audit, and on the IP&R including Service Reviews indicate that council has effective financial management frameworks and controls in place.	
IMPROVEMENT	<b>STRATEGIC PLANNING</b> Section 428A (2)(f)  Council has an effective framework that ensures it achieves its strategic plans and objectives under the integrated planning and reporting (IP&R framework).	25/7/24	Item 4.4.1 Finance report. <ul style="list-style-type: none"> <li>Quarterly budget update</li> <li>2025 Long Term Financial plan</li> </ul> Item 4.6.3 Integrated Planning & Reporting Documents: <ul style="list-style-type: none"> <li>Draft Resourcing Strategy 2024-2034.</li> <li>Draft Delivery Program 2022-2026.</li> <li>Operational Program 2024 – 2025.</li> <li>Draft Fees and Charges 2024 – 2025.</li> </ul>
		10/10/24	Item 12.1 IP&R.
		27/2/25	Item 11 & 12.1 IP&R.
		22/5/25	Item 7.2 Finance update – draft LTFP. Item 12.1 IP&R update.
	Observations on Council's performance	Reports and presentations provide the ARIC with information that suggests that Council has an effective framework (IP&R) to achieve its strategic plans and objectives.	

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
	<b>SERVICE REVIEWS AND BUSINESS IMPROVEMENT</b> <b>Section 428A(2)(g), 428A(3)</b>  Council has an effective framework to ensure it is delivering services and conducting its business and functions to an expected standard.	27/2/25	Item 12.1 IP&R and relevant factors considered in Service reviews, benchmarking and data sources.
		22/5/25	Item 6.1 Internal audit of Service Reviews.
	Observations on Council's performance	The Service review and business improvement frameworks and initiatives at Council are well established and contribute to ensuring that services, functions and business units operate to the desired standard.	
	<b>PERFORMANCE DATA AND MANAGEMENT</b> <b>Section 428A(2)(h)</b>  Council's performance management framework ensures council can measure its performance and achievement of its strategic goals.	25/7/24	Item 4.3.1 Enterprise Risk Report and update presentation – Key Risk Indicators and performance data.
		10/10/24	Item 12.1 IP&R.
		27/2/25	Item 12.1 IP&R – service review benchmarking and sources of data.
		22/5/25	Item 6.1 Internal audit reports on Infrastructure damage or failure and Service reviews. Item 8.1 KRI trend reporting. Item 12.1 IP&R update.
	Observations on Council's performance	Reports and information provided to the ARIC indicate that Council is setting performance measures and generating and analysing relevant data to assess their performance and achievement of their strategic goals through governance frameworks including the IP&R, risk management and internal audit.	

## 2.4 Attestation against the Core requirements of the OLG Guidelines for Risk management and Internal Audit.

The General Manager and Head of Internal Audit have liaised with the ARIC via the Chair to prepare the attestation which will be included in Council's Annual Report. The ARIC supports the attestation which is provided at **Appendix A**.

## 3 Internal Audit Activities

### 3.1 Position & Resourcing

The following provides a comparison of the cost of internal audit-related activities for the current and prior financial year.

Description	Budget	Actual
Internal Audit - External providers	\$62,800	\$65,981
<b>Total (ex GST)</b>	<b>\$62,800</b>	<b>\$65,981</b>

Independence of internal audit was maintained via functional reporting to the Chair of the committee by the head of internal audit and conduct of internal audit projects by an external provider.

During the latter part of the financial year Council has undertaken review of the model for delivery and coordination of internal audit including approval of recruitment of an inhouse internal audit coordinator. This role will be the Internal Audit Coordinator under the OLG Guidelines and support the ARIC as required.

### 3.2 Strategic Planning

A strategic Internal Audit Plan was prepared for 2025-29 including an annual plan.

The methodology included: consultation with Council management, the ARIC and reference to Council's ERM registers.

The Plan was approved at the Audit, Risk and Improvement Committee meeting of 10 October 2024 and commenced in November 2024. The planned audits were completed within the year (refer 3.3), and reported quarterly as relevant.

### 3.3 Effectiveness including performance against Internal Audit Plan 2024-2025

The Annual Internal Audit plan 2024/25 provided for 3 audits to be undertaken during the year.

Status of delivery of the plan is outlined below.

Internal Audit plan – Scheduled reviews	Overall Rating	Date completed
Infrastructure damage or failure	Medium	April 2025
Service reviews	Low	May 2025
Payroll compliance	Low	June 2025

The following **Other Activities** have also been performed or undertaken by Internal Audit:

Other Internal Audit Activities	Days/\$
Strategic Planning	-
Follow up of Implementation of recommendations	-
Review of internal resources to support the ARIC and coordinate and delivery internal audit services	-
ARIC secretariat – updated meeting software	\$5,631
Quality Assurance & Improvement Program – coordinate implementation of improvement roadmap arising from EQA	-
<b>Total</b>	<b>\$5,631</b>
<b>Grand Total Audit time/budget – year ended 30 June 2025</b>	<b>\$71,612</b>

### 3.4 Conformance with the International Professional Practices Framework including Quality Assurance and Improvement Program (QAIP)

The Regulation and OLG Risk management and Internal Audit Guidelines (OLG) November 2023, require that Council's internal audit function and activities conform with the International Professional Practice Framework (IPPF)

The Institute of Internal Auditors (IIA) Australia completed an independent external quality assurance review of internal audit to determine the level of conformance and identify any opportunities for improvement.

The final report was provided to the ARIC in October 2024 indicating partial conformance with the internal audit standards in place at that time. An improvement plan was established, and progress has been reported quarterly.

During the financial year, the IPPF was substantially updated in the form of the GIAS which includes substantial uplift in the standards for internal audit effective 9 January 2025. The development of internal audit documentation and methodology as part of the QAIP roadmap will consider the new GIAS standards in the coming year.

## **4 2025 – 2026: The year ahead**

The key priorities for the ARIC in this coming year will be:

- Continue to advise Council on implementation of the OLG's Regulation and Guidelines for Risk Management and Internal Audit, specifically in relation to IPPF/GIAS conformance and QAIP roadmap progress.
- Assist with the implementation of Council's internal audit improvement plan including transition to the new internal audit model and review of the Strategic and annual Internal Audit Plan in alignment with any changes in Council's risk profile.
- Implement the ARIC four-year workplan covering the Committee's responsibilities contained within Schedule 1.
- Monitor and progressively review the Council's functions and operations by receiving reports and providing real-time advice on programs, initiatives, risks and controls from their operations.

## **5 Acknowledgments and Appreciation**

The ARIC would like to acknowledge the work and support of management and looks forward to the opportunity to continue to provide input and advice to Council over the coming year.



# Internal audit and risk management attestation statement for the 2024 to 2025 financial year for Port Stephens Council

I am of the opinion that Port Stephens Council has an audit, risk and improvement committee, risk management framework and internal audit function that operate in compliance with the following requirements except as may be otherwise provided below:

### Audit, risk and improvement committee

	Requirement	Compliance
1.	Port Stephens Council has appointed an audit, risk and improvement committee that comprises of an independent chairperson and at least two independent members (section 428A of the <i>Local Government Act 1993</i> , section 216C of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
2.	The chairperson and all members of Port Stephens Council audit, risk and improvement committee meet the relevant independence and eligibility criteria prescribed under the <i>Local Government (General) Regulation 2021</i> and have not exceeded the membership term limits prescribed under the Regulation (sections 216D, 216E, 216F, 216G of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
3.	Port Stephens Council has adopted terms of reference for its audit, risk and improvement committee that are informed by the model terms of reference approved by the Departmental Chief Executive of the Office of Local Government and the committee operates in accordance with the terms of reference (section 216K of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
4.	Port Stephens Council provides the audit, risk and improvement committee with direct and unrestricted access to the General Manager and other senior management and the information and resources necessary to exercise its functions (section 216L of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
5.	Port Stephens Council audit, risk and improvement committee exercises its functions in accordance with a	COMPLIANT

	four-year strategic work plan that has been endorsed by the governing body and an annual work plan that has been developed in consultation with the governing body and senior management (Core requirement 1 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i> ).	
6.	Port Stephens Council audit, risk and improvement committee provides the governing body with an annual assessment each year, and a strategic assessment each council term of the matters listed in section 428A of the <i>Local Government Act 1993</i> reviewed during that term (Core requirement 1 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i> ).	COMPLIANT  Last reported 26 November 2024  Strategic assessment due 2028
7.	The governing body of Port Stephens Council reviews the effectiveness of the audit, risk and improvement committee at least once each council term (Core requirement 1 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i> ).	Not yet due – Due 2028

### Membership

The chairperson and membership of the audit, risk and improvement committee are:

<b>Chairperson</b>	Deborah Goodyer	1 October 2023	1 October 2027
<b>Independent member</b>	Frank Cordingley	27 February 2024	27 February 2026
<b>Independent member</b>	Paul Dunn	27 February 2024	27 February 2028
<b>Councillor member</b>	Cr Jason Wells	22 October 2024	8 September 2028

### **Risk Management**

	<b>Requirement</b>	<b>Compliance</b>
8.	Port Stephens Council has adopted a risk management framework that is consistent with current Australian risk management standard and that is appropriate for the Port Stephens Council risks (section 216S of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
9.	Port Stephens Council's audit, risk and improvement committee reviews the implementation of its risk management framework and provides a strategic assessment of its effectiveness to the governing body each council term (section 216S of the <i>Local Government (General) Regulation 2021</i> ).	Not yet due – Due 2028

## Internal Audit

	Requirement	Compliance
10.	Port Stephens Council has an internal audit function that reviews the Council's operations and risk management and control activities (section 216O of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
11.	Port Stephens Council's internal audit function reports to the audit, risk and improvement committee on internal audit matters (sections 216M, 216P and 216R of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
12.	Port Stephens Council's internal audit function is independent and internal audit activities are not subject to direction by the Port Stephens Council (section 216P of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
13.	Port Stephens Council has adopted an internal audit charter that is informed by the model internal audit charter approved by the Departmental Chief Executive of the Office of Local Government and the internal audit function operates in accordance with the charter (section 216O of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
14.	Port Stephens Council has appointed a member of staff to direct and coordinate internal audit activities (section 216P of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
15.	Internal audit activities are conducted in accordance with the International Professional Practices Framework (Core requirement 3 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i> ).	COMPLIANT
16.	Port Stephens Council provides the internal audit function with direct and unrestricted access to staff, the audit, risk and improvement committee, and the information and resources necessary to undertake internal audit activities (section 216P of the <i>Local Government (General) Regulation 2021</i> ).	COMPLIANT
17.	Port Stephens Council's internal audit function undertakes internal audit activities in accordance with a four-year strategic work plan that has been endorsed by the governing body and an annual work plan that has been developed in consultation with the governing body and senior management (Core requirement 3 of the Office of Local Government's <i>Guidelines for Risk Management and Internal Audit for Local Government in NSW</i> ).	COMPLIANT
18.	Port Stephens Council's audit, risk and improvement committee reviews the effectiveness of the internal audit function and reports the outcome of the review to the governing body each council term (section 216R of the <i>Local Government (General) Regulation 2021</i> ).	Not yet due – Due 2028



### **Non-compliance with the *Local Government (General) Regulation 2021***

I advise that Port Stephens Council has complied with its requirements prescribed under the *Local Government (General) Regulation 2021* with respect to the operation of its Audit, risk and Improvement Committee, risk management and internal audit processes.

Tim Crosdale

**General Manager**

Date: 21 August 2025